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A PESSIMISTIC appraisal of our social security system is made by J. Douglas Brown in a feature abstract of this issue (**Developments in the Social Security Program**, page 78). According to Professor Brown, our present social security program is so spotty and inadequate that it would provide little protection in a postwar depression of major dimensions. Certainly the shortcomings and idiosyncrasies of the program which he enumerates would seem to support his premise. Our old-age insurance scheme, for instance, leaves millions of persons unprotected; and the benefits offered under the federal-state program of old-age assistance vary widely in accordance with regional sentiment, politics and age distribution. The federal-state system of unemployment insurance is complex and unsatisfactory. With respect to medical care, Professor Brown declares, our social security system appears a sad sight indeed—the only bright spot in the picture being the progress made in private group purchase of hospital care and, to some extent, medical care.

Professor Brown cites several factors which he believes may explain this lag in social security developments in recent years. For the future, he advocates a balanced program of social insurances covering the major risks in life and supplemented by relief or public assistance when necessary.

NOW that almost everybody is working, many companies are having amazing success in collecting long past-due bills. Old accounts that are legally outdated but that are still moral obligations may prove to be gold mines. A few case histories of what is happening, as reported by *American Business*, are presented on page 108 (**Dollars in Past-Due Accounts**).

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THE MANAGEMENT INDEX

General Management

The Outlook for Management

INTEREST in management has never been greater than it is at the present time. The preponderant part which it has played in carrying forward our war program is widely recognized, and the task that lies ahead must still be regarded as of unexampled proportions.

That the characteristics of management which have been required to bring us victoriously through the armed conflict will suffice to deal with the difficult aftermath is, however, a hazardous assumption. To cope successfully with the gigantic problems of adjustment, managers will, I submit, have to equip themselves with a broader vision, a deeper sympathy, and a more profound knowledge of the principles which underlie the organization of business and the motivation of men.

I should like to advance certain specifications which I believe will come to be accepted as constituting a program that will enter into the warp and woof of industrial management:

1. The industrial manager of the future will be educated rather than trained;

2. He will be strongly imbued with the wisdom of striving for the achievement and maintenance of optimal conditions as his master-objective;

3. He will recognize that employment of the scientific method in the solution of industrial problems is of paramount importance and will be facile in its application;

4. He will be steeped in a constructive philosophy of human relationships and will intelligently and courageously practice its principles;

5. He will do his full part in securing the return to simpler and more stable conditions of life.

These specifications are by no means counsels of perfection; on the contrary, they represent what, in my considered judgment, is an imperative program if we are to remain true to the spirit of democracy.

I have suggested as the first specification that the industrial manager of the future will be educated rather than trained. We shall no longer be able to allow economic and social illiterates to hold the reins of management. We need more scholars in management and more managers who believe in the authority of knowledge.

Schools of business administration obviously will be called upon to play a role of increasing importance. Despite the effectiveness with which they have acquitted themselves of their responsibilities, the new conditions they will be called upon to face will require them to put forth extraordinary efforts in reshaping their programs, modifying the viewpoints of their teaching staffs, and gaining general acceptance of new principles.

As to the second specification, there can be little doubt that the philosophy underlying the concept of the optimum is fraught with the utmost consequence to the welfare of mankind; moreover, it has a particular application of immense importance to industrial, political and social conditions.

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Until the advent of our economic collapse, it was a pronounced characteristic of our American way of life to visualize progress in terms of ever-increasing size. Now, it must be pointed out that, except within well-defined limits associated with specific instances, there is no necessary connection between size and profitable results; on the contrary, there is abundant evidence in support of the contention that increasing size, when carried to extreme, is bound to be attended by diminishing returns. Industry, nevertheless, has pursued its course in well-nigh complete ignorance of the tremendous implications of the optimum, as applied to its own progress.

To make headway with the acceptance by industrial managers of the validity of this concept will call for a radical mental transformation on their part, something akin to the intellectual change that Frederick Winslow Taylor found it necessary to induce among the industrial managers of 30 years ago.

Employment of the scientific method was suggested as the third specification in the program. It is hardly necessary to dwell upon the importance of this method under present-day conditions.

My fourth specification related to practice of the principles underlying a constructive philosophy of human relationships. Industrial managers cannot be expected to become proficient in practicing these principles until they have first subjected themselves to a process of self-development in intellectual and spiritual directions. This means that they must undergo a process of reorientation in terms of the times with which we are confronted, that they must seek, through work and struggle, failure and success, better to fit themselves constantly to

relate the part to the whole. It means living great thoughts, practicing great faiths, renouncing false doctrines, and striving to supply the type of leadership that finds its greatest satisfaction in furthering the highest forms of human purpose.

Securing the return to simpler and more stable conditions of life is the fifth and last specification cited in my program. Its statement implies achieving the reverse of much that has in the last few decades come to be regarded as worthy of attainment by great masses of our people. Pandering to the grosser instincts, satisfying the urge to pleasure, deliberately sacrificing home life, indulging in a mania for ever-increasing speed, conforming to extremes of styles, artificially stimulating the standards of living, mortgaging the future by installment purchases, slavishly accepting the rule of the engineer as expressed in countless standardized products, prostituting the beauties of the English language in mad excess of advertising, enmeshing uncritical minds in gigantic emanations of propaganda by way of the ether—these are but a few of the factors and trends that any thinking person who probes beneath the surface would pronounce as inconsistent with simpler and more stable conditions of life.

We are facing our supreme test as a nation; never will forthright leadership on the industrial front be more sorely needed than after victory has been won. I am sanguine, however, that as the need presents itself, industrial leaders will rise to a realization of the new ideals and objectives that must be pursued.

BY HARRY ARTHUR HOPF. *The Insurance Index*, February, 1945, p. 13:2. (Reprinted from *The Jeffersonian*, Jefferson Standard Life Insurance Company, Greensboro, N. C.)

An Economic Basis for Postwar Planning

WHAT are the best working assumptions as to the course of business in the postwar period? We shall discover what they are if we list the significant economic developments of the war and then see what they imply as to the postwar period:

1. *We possess the power to increase production quickly and substantially.* A related development is that we have learned how to use unskilled labor in complex industrial operations. Our farm production has followed the same upward course.

These facts about our productive capacity indicate that we need not fear a big inflation of prices if our demonstrated production potentialities are permitted to be realized. It is not a dream but a reality within this nation's grasp for us to produce goods and services in such abundance as to lift the standard of living materially and to raise the under-privileged peoples of this country to an adequate level of consumption.

2. *The consumption potential of our domestic market is colossal.* Our market research people are realizing that what the American market was able to consume during the depression years has little relation to what our people want and will consume when they have jobs instead of being on relief.

The talk during the '30's was in terms of replacement markets instead of vast new markets for new and old goods. The statistics seemed to support the assumption that the saturation point had at last been reached in a number of our major industries. But during the war the people on relief and part-time workers were able to obtain full-time jobs, with the result that con-

sumption habits changed. Upgrading of purchasing was the story all along the line.

It is clear that we must recompute our market potentials, for we have seen what happens when we move people up a notch in the income brackets.

3. *There is a great backlog of foreign demand for American goods.* Many nations have not had access for some time to the markets of the world; they have accumulated vast purchasing power which they clearly expect to use in whatever market is able to supply what they want, and our industries will probably be ready to supply the goods before those of Europe are back in production. The extent of this demand is clear from letters which the Irving Trust Company, New York, has obtained from its correspondents all over the world. Excerpts from those letters have been assembled in a pamphlet, copies of which will be supplied on request.

The funds to make this demand effective are available. Foreign governments, central banks, and individuals have already many billions of dollars in this country, in gold under earmark, on deposit in our banks, or in American securities.

4. *Wartime restrictions on production have created a vast unsatisfied domestic demand for durable consumer goods.* For a long while our people have not been able to purchase new homes, automobiles, electrical appliances, and house furnishings, or adequately maintain what they have. The demand is large enough to provide the basis for capacity operations in many of our durable consumer goods industries for from two to four years.

5. *Wartime savings will provide the*

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March,

down payment on postwar prosperity. Since 1939, individuals have saved approximately one hundred billions of funds now held in bank balances, currency, and United States Government bonds. With these funds the American people can finance the biggest boom in housing, automobiles, radios, television, travel, clothing, entertainment, and food that we have ever seen.

6. *Technological progress has been greatly accelerated during the war.* We have an imposing array of new industries or old ones with new potentialities: radar, electronics, television, plastics, the new metals, and a host of others. Our mechanical progress has been such that we may expect to be able to produce many of the good things of life at a cost lower than before—despite higher wages. This means that management must, because of the new competitors for the consumer's dollar, be alert to new methods of lowering costs and prepared to take advantage of every possible means of making its products more attractive or useful and lower in price.

7. *War has increased the revenue needs of the Federal Government.* We shall inherit from the war a debt so massive that servicing it alone will require revenues as large as total government expenditures not many years ago. A fact of life for us in the postwar period is higher taxes than we have ever thought we would be saddled with in peacetime. It is not unlikely that the impact of postwar taxes will be to increase the proportion of income after taxes received by the masses and to reduce the proportion after taxes received by people in the upper income brackets. This would mean that the mass markets would be better relatively than the class markets and that our marketing policies would have to be adapted to the

changed pattern of income distribution.

8. *War has created excess capacity. In many lines the capacity built during the war will exceed postwar demand by wide margins.* But that isn't all. We have experienced a major reversal in the trend toward specialization in production and distribution. The necessities of war caused many producers and distributors in one business to enter others. Now many businesses are looking for lines to add. The old-line companies may find it necessary to engage in some quite aggressive advertising and promotional activities if they are to maintain their position as leaders in their industries.

9. *War has absorbed a substantial portion of our productive resources and has required great shifts in production.* This means that we have a difficult job ahead in reconverting industry, demobilizing the armed forces, and taking the inflation out of government expenditures. For a number of reasons already cited, the reconversion period is not likely to go down in our economic history as one of our long depressions, but it can witness a sharp though temporary contraction in business activity.

10. *No nation has during the war found the secret of full employment in peacetime.* The war has brought jobs for all but nothing to suggest that the world is any closer to a solution of the problem of giving productive work to its people in peacetime.

From this analysis there emerges a pattern of working assumptions as to the course of postwar economic developments. First, we should have a brief but possibly sharp reconversion recession. Then we should enter a period of very active business while shortages are being made up, new markets exploited, inventories rebuilt, and initial foreign demands satisfied. Then,

unless we revitalize private business, we cannot avoid a relapse into bleak depression. *Unless we restore to our economy the driving force for expansion which was present prior to the decade of the thirties, prudence dictates that we be cautious in drawing plans for expansion beyond the early postwar years.*

As a practical matter, what factors shall we look for to provide an indication as to whether the postwar boom is to be followed by depression or prosperity?

1. *Revived investment.* Industry must be investing in new and improved capacity funds obtained via the new capital markets from the people's savings. The statistical signal that this is happening will be a large volume of *new money* securities issued by business and bought by the people and their savings institutions.

2. *A balanced budget.* If our economy becomes dependent on the steady use of the stimulant of government deficit expenditures, it can only collapse when the stimulant is finally withdrawn. And if in the early postwar boom large-scale public expenditures are necessary, who can look hopefully to the period when the deferred demands of the war period will have been satisfied?

3. *Absence of inflation.* If prices in the real estate, security and commodity

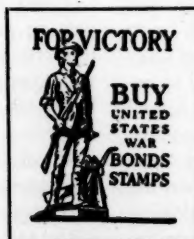
markets rise substantially, we may expect a severe reaction which can carry us into another deep depression after the postwar boom.

4. *Reduced taxes.* Business may look good, despite high taxes, in the period when deferred demands are being met, but unless the crushing load of initiative-inhibiting taxation is removed, business investment in new capacity and new jobs will be constricted.

5. *Removal of labor restrictions on production.* Our hopes for vigorous business expansion will not be realized if labor organizations use their virtually unlimited powers to halt operations at the strategic bottlenecks of the productive process.

6. *Full employment.* If, when business is making up wartime shortages, offsetting the deferred maintenance and depreciation of the war years, rebuilding inventories, and supplying early postwar needs of foreign countries, we still have considerable unemployment, the evidence will be conclusive that the enterprise organization is not yet freed from those restrictions which prevent it from expanding vigorously enough to maintain a high level of activity.

From an address by Murray Shields before the 36th Annual Meeting of the Grocery Manufacturers of America, Inc.



Improving Stockholder Relations

FORWARD-LOOKING companies today are consciously attempting, as part of their over-all public relations programs, to bring stockholders closer to management. Until fairly recently, most contacts with a firm's owners were limited to the annual report, the annual meeting, and the periodical dividend check. Today a much wider assortment of devices is coming into use.

Listed below are a number of ideas which individual companies have adopted for improving relations with their stockholders:

Personal Call: Company representatives in 48 states follow up a letter of welcome with a visit to new stockholder, whenever possible, giving him opportunity to ask for information regarding company operations in which he is interested.

Gift Box: A letter welcoming the stockholder to the company fold informs him that a box of the company's products is being sent him.

Luncheons: Although not regularly scheduled, occasional luncheons are held at which stockholders and company officials meet informally, and each has an opportunity to question the other.

Getting Acquainted: Stockholders who visit plants and offices are received by a high-ranking officer; are accorded all privileges to which they are entitled as owners of the company.

An Inventory: A brochure describing the products which reach the public, directly or indirectly, gives the stockholder some idea of the 5,000-odd items in which he has an interest.

Personalized Correspondence: All queries and recommendations are answered in writing, regardless of their

nature. No chilly form-letter manner here.

War Digest: Sixty-four pages, profusely illustrated in color and titled "Peacetime Enterprise Put to Work," give the stockholder the story of what his company is producing for the war effort.

Postwar Plans: A printed message to stockholders describes "A 500 Million Dollar Program" planned for the corporation postwar.

News Service: Stockholders desiring to receive news pertaining to the company are put on a mailing list for this type of information, if they so request.

Public Relations Literature: A booklet designed primarily for customers is sent to all stockholders when its contents are of interest to them as well as to the customers.

"How We Do It": Stockholders get the "low-down" on the vast subcontract policy which has played a tremendous part in this company's war production record.

Christmas Box: Previous to 1943, special gift boxes of the company's products were offered at cost to stockholders and employees at Christmas.

In addition to these, a number of other ideas turned up in a recent study conducted by *Sales Management*. They include:

1. Magazines keyed either to stockholders alone or to stockholders and employees. Standard Oil (New Jersey) Company's *The Lamp*, *The Dupont Magazine*, and the *Monsanto Magazine* are good examples.

2. Letters welcoming new stockholders to the company.

3. Letters to stockholders who sell their stock, expressing regret and in-

viting constructive criticism or explanation of the reason why.

4. Dividend enclosures which touch briefly upon some matter of interest: research developments, postwar plans, etc. Interesting example: Set of such enclosures mailed by Monsanto during 1944 describing "Your Next Car," "Your New Set of Tires," and the

part the company will play in them.

5. Copies of speeches made by the president or chairman, which concern company policy.

6. News item in a variety of guises—letters, mimeographed releases, booklets, pamphlets.

Sales Management, February 1, 1945, p. 30:2.

Developments in the Social Security Program

THE UNITED STATES faces the period of postwar readjustment with a spotty and inadequate system of social security protection. We may be able to ride out without serious distress the brief spells of heavy unemployment which may follow immediately upon the termination of the wars in Europe and in the Pacific, but it is difficult to see how our present social security program could save us from a critical degree of hardship in a major postwar depression. Meanwhile, we are losing the advantage of a well-developed social security system in maintaining and enhancing the human resources of the country. Further, we are depriving millions of our people, as individuals, of the satisfactions of planned, self-reliant protection against the major risks of life. Let us take some of these risks which a balanced social security program should cover and check the extent to which protection is afforded in America today:

1. *Dependent old age.* While we have done more in the United States to safeguard the old than any other group, our old-age insurance system leaves unprotected millions of persons in farm, domestic and government employment, self-employment, and other

excluded areas. Because of unemployment, illness, and occasional employment in uncovered activities, a large number of persons will reach 65 with but spotty earnings records in the vast files in Baltimore. Some of these will get no benefits at all; others, but meager amounts. A most serious cause of broken records, to date, is service with the armed forces.

To buttress our old-age insurance program, we have a federal-state program of old-age assistance. Because of the vagaries of sentiment, politics, and the distribution of aged persons, however, the amounts paid under these programs vary from extravagant to penurious.

2. *Dependent survivorship.* Since 1939, protection for widows with children or for aged widows of insured persons has been provided under the federal old-age insurance system. This improvement is limited by the same shortcomings in coverage that exist in the basic insurance scheme. Exclusions from coverage and broken wage records narrow sharply the boundaries of effective protection. Assistance payments to widows with children greatly extend the area of government aid but, without the advantage of the vote, the children needing such aid have not been

able to compete with the old in securing liberal grants.

3. *Unemployment.* We have a federal-state system of unemployment insurance which is a marvel of complexity and diversity in standards of contributions, benefits, coverage and administration. We have had a growing overemphasis on the rates of contribution and reserves and a grave underemphasis on the rates and duration of benefits. Coverage under unemployment insurance, again, leaves whole segments of our population unprotected. Our system of separate state reserves is illogical, expensive and wasteful.

With these limitations in the protection afforded by unemployment insurance, we might well plan more carefully our measures for emergency unemployment relief. The serious question whether to use direct relief or work relief, or both, has not been resolved in American policy. The planning of public works, to be initiated in time of unemployment, is being encouraged by Congressional reports and private committees but does not seem to have struck deep into the consciousness of our legislators.

4. *Dependency during disability.* Apart from private action or public relief, the only lighter spot among the shadows in this field is a conglomeration of state programs of workmen's compensation. These vary widely in adequacy and coverage. Many are hagridden by excessive litigation, sharp insurance practice, unfortunate medical arrangements, and a lack of common understanding, by all parties concerned, of a definite social policy. Progressive employers are moving faster than government in recognizing the need for improved protection in this field.

So far as government action is concerned, we have done almost nothing in providing the means for self-reliant protection in time of temporary illness or disability not arising out of employment. An even more serious gap is the absence of protection to those becoming permanently and totally disabled from non-industrial causes. Except for such special groups as the veterans or the blind, we are still relying on general relief or institutional care until the person reaches old age.

5. *Medical care and hospitalization.* It is in this respect that the social security system of the United States appears a sad sight indeed.

With the finest medical profession and techniques in the world, we do well by our prosperous and our poor. Those injured in industry receive a varying quality of service. But for the great body of self-reliant wage earners and self-employed, their wives and their children, we are still depending in large measure upon a type of distribution to provide medical care which we would consider sadly inadequate for any other important commodity or service. In most of his expenditures, the wage earner obtains the advantages of shared overheads, modern business methods, free competition, and specialization. But when sickness strikes, the chances are that he must depend upon a one-man shop to meet his needs, unless the case is serious enough to warrant the heavy expense of hospitalization. In 1945 there are few other professions that have not found group or institutional practice the norm rather than the exception.

Among the bright spots in this discouraging picture is the progress made in private group purchase of hospital care and, in a lesser degree, of medical

care, whether by community groups or by industrial groups with the aid of employers or trade unions. But such progress remains far from the goal that only public action can assure.

Why this discouraging record in a rich, enlightened country that has proved itself one of the most generous in the world? After mulling over that question for a decade or more, I should like to offer some tentative conclusions:

We have not yet given the American people a thorough-going understanding of the function of social insurance as a means of conserving and enhancing our human resources and of affording the satisfaction of self-reliant security. We have confused them with much talk of relief and in the process have depended upon emotions rather than reason to sell our proposals. We have not demonstrated sufficiently the values of participation, year in, year out, which social insurance affords, nor have we put across to the more conservative of our citizens the advantages of social insurance as compared to relief in preserving incentive and making costs more definite.

Sir William Beveridge recognized the desire for cost figures in his pro-

posals for the reorganization and expansion of the British system of social security. The report of our own National Resources Planning Board on social security leaves our desire to see the price tag unsatisfied. Sir William made social insurance the core of his program, whereas the National Resources Planning Board gave most emphasis to relief.

In the development of our social security program in the United States, relief does have an important role to play. But the mechanism of social insurance seems to fit more closely the habits, attitudes and character of a productive, self-reliant people. The answer is, of course, a balanced program of social insurances covering old age, survivorship, temporary and permanent disability, unemployment and medical services, supplemented by relief or public assistance to fill in the gaps or to lengthen the period of protection in certain cases. With such a program we could face a depression of major dimensions with less fear of drastic consequences. By J. DOUGLAS BROWN. *Proceedings of the Academy of Political Science*, January, 1945, p. 84:10.

Filing Test

A SIMPLE TEST for filing clerks can be devised by using twenty-five 3" by 5" index cards, each bearing a firm name, individual's name, and address. The applicant is provided with these cards and asked to arrange them alphabetically by firm name. After this operation, the cards are shuffled, and the applicant is asked to file them alphabetically by individual name; then by states, towns within the state, and alphabetically within the towns.

—*The Hiring Line*, Vol. 4, No. 2

• A LARGE chemical company has a fund for the sole purpose of buying artificial limbs, glass eyes, and hearing aids for members of any employee's family who needs them.

—*Forbes* 2/15/45

Office Management

A Plan for Written Procedures

THE FARSIGHTED office manager sees to it that procedures are not formulated haphazardly when the need is acute, or allowed to grow indiscriminately, but plans for the entire organization are developed in terms of a systematic schedule of written instructions. Some of the problems he will have to consider and solve in setting up an over-all plan are suggested below:

Inventory of existing instructions. The office manager should take inventory of whatever written instructions may have been developed in his organization; weigh their usefulness in any plan that may evolve; and distinguish the assets from the liabilities. This inventory-taking process is imperative to determine the conditions existing at the time that the system is begun. Only in rare cases will a complete new system be justified. The problem is not one of selecting the ideal plan but of determining the best plan to which existing material can be adapted.

Scope of system. From the standpoint of the executive, if instructions on administrative policy and operating procedures are separated, each can be prepared, approved and distributed more readily. But from the standpoint of the user, separate instructions or series of instructions on policy and procedure require him to go to different sources for information on the same subject. Separation of policy and procedure may mean loss of continuity. Sometimes, also, it is difficult to make a practical distinction between policy and procedure. The separation depends somewhat on the size and com-

plexity of the organization. In a small unit administrative procedures and operating or job instructions may well be combined, whereas in a large organization they are doubtless better separated. One organization has solved the problem by issuing separate series of releases for program, policy and procedure, but classifying each release by subject and filing all together in the same binder.

Where procedures are separated, all should be parts of the unified system. For example, a broad statement of company policy on maintaining, using and disposing of records might refer, for the benefit of those who are interested in further detail, to a manual for file operators. The manual, in turn, should reflect the background of company policy.

Degree of centralization. Will all instructions be issued by the home or headquarters office? If so, these instructions will presumably be authoritative and consistent but, in many cases, they will fail to meet specific needs on the job. While the instructions are being prepared, the work will be done somehow or not at all. Will the release of written instructions then be wholly decentralized? In that case, they will be useful here and there; but the efficiency of uniform procedures, the morale value of unity, will be lost. The only answer is a combination of the advantages of decentralization with the minimum degree of centralization necessary. Any system should allow for preparation of instructions at, or close to, the point of use. For statements of policies or procedures that

affect an entire organization, there must be a central point for review, coordination and issue. Otherwise, duplication, inconsistency and confusion will occur.

A proposed procedure or manual of procedures should be cleared with every office which has a functional concern with it. The primary purpose of clearance is accuracy and completeness, and this clearance paves the way for acceptance of the procedure as standard. An executive or employee may have something valuable to contribute and will think a procedure related to his work is good if he has had a hand in developing it. The level of approval must be in keeping with the content and importance of the instruction.

Form and arrangement. The following is a classification of the various forms that written instructions may take: (a) individual letter—an instruction at one time to one person; (b) circular letter—a one-time instruction for the information of several persons; (c) serial-circular letter—a numbered sequence of related instructions; (d) manual-related instructions in organized form for continuing use.

Planning problems may develop in determining the form and arrangement of the series of documents covering administrative policies and procedures which most large organizations now find necessary. Statements which reflect administrative decisions are made from time to time and must be preserved for reference and training. Although a serial arrangement, such as A1, 2, 3, which disregards subject relationships is probably more convenient for the executive to issue, instructions in organized form are more useful for the employee. The need of the employee on the job is the determining factor for written instructions. For an organization with a wide range of activ-

ities, whose administrative decisions and procedures cover a variety of subjects, some form of classification is highly desirable. For a more limited range of material, a topical index to a numbered series may serve the reference need if it is kept up-to-date.

The format of the serial instruction or of the manual, seemingly a trivial matter, is worth careful consideration. A simple standard format helps not only the preparer but also the user, who, by the format, recognizes the authority of the document, its place in the over-all pattern, and its place in his reference material.

Means of keeping up-to-date. Whatever forms instructions may take, the system must include plans for distribution and for revision. Primary distribution is based on immediate use. Maintenance of an up-to-date circulation list is necessary for satisfactory issue of revisions. It is important for management to make it clear from the start that changes in procedure will be issued only through the original source, for changes from other sources would destroy the validity of the instruction or manual and of the system. Keeping written instructions up-to-date requires: a definite allotment of time for study of changes in procedure and preparation of revisions; an administrative system which permits the issue of instructions without undue red tape or delay; a loose-leaf arrangement, in the mechanics of the book, which allows insertions and deletions with minimum difficulty and expense.

Organizing to do the job. Whether responsibility is centered in one person or in a small staff group, or "farmed out" to appropriate persons in various units of the organization, it is a problem to find employees with a combination of subject knowledge and writing

ability. The writer must possess enough knowledge of the job, either from experience or through skill in obtaining information from others, to make his written version accurate and practical. He must be able to write simply, clearly and directly. Since every instruction must be translated into action, the writer must observe, analyze, plan, write, review and test with this in mind.

Using the results. The proof of the written procedure is in the action that it brings. The translation of instructions into action may have the effect of revealing weaknesses in the written

statement, which can easily be corrected. More significant, it may reveal weaknesses in the procedures themselves and thereby lead to improvements. The alert manager has a continual job of evaluating his written instruction system by its results and adapting it to the organization's changing needs. Moreover, he has a continual opportunity to use his written instructions as a tool for evaluating and improving his policies, procedures and work processes. By BENJAMIN R. HAYNES and VIE CHRISTIANSEN. *The Office*, February, 1945, p. 29.5.

Use of Office Manuals

IN A RECENT survey made by the Office Management Association of Chicago, only slightly more than half of the companies canvassed reported using company manuals. These firms use from one to 109 manuals each. Of the offices that use manuals, more than half have booklets covering over-all policy, general clerical operations, and the standard "employee manuals." Other manuals are devoted to personnel, typing, transcribing, filing and mailing.

In 16 per cent of the companies with manuals, their maintenance is the full responsibility of a manual or planning department. In 40 per cent of the firms, the department head affected maintains his own manual. In the remainder, the job is done by the office manager, personnel department, or a specially appointed committee. Manuals are kept up-to-date in 80 per cent of the companies having them.

About 40 per cent of the firms group their manuals according to subject or material. Departmental groups are used by 20 per cent, and another 20 per cent use both subject and departmental grouping. Every firm reporting said that its manuals accomplished the purpose for which they were intended.

Two-thirds of the offices with more than 500 office workers used manuals, and about half of the smaller offices had them. There was no apparent relationship between type of industry and use of manuals.

—*The Office* 2/45

Preprinted Invoices

PREPRINTED invoices showing all the items you sell offer many advantages, not the least of which is the advertising value of a list of all your products on each bill. Even though the customer orders but one item, he is constantly reminded of what you make by seeing a list of your products on each invoice. But that's a minor and supplementary advantage. Big saving is in typing costs, which is considerable.

—*American Business* 1/45

Personnel

Postwar Prospects for Women Workers*

By FRIEDA S. MILLER
Director, Women's Bureau
U. S. Department of Labor

THE war has brought about a number of changes in the employment of women in the United States. Some of the problems arising out of these changes are of special concern to management and labor, to the Women's Bureau, and to the general public.

The first major change is a large increase in the number of women working outside the home. Before the war, in 1940, there were 11,000,000 women working in the United States, and another 2,000,000 seeking work. One out of every four women of working age was employed, and one out of every four employed workers was a woman. At the July, 1944, peak employment of women, 18,500,000 women were working and another 500,000 were seeking employment. Out of every three civilian workers, one was a woman.

A considerable change also has taken place in the distribution of women according to the types of work they perform. Before the war, the Census reported a few women in such occupations as electrical engineering, tool-making, and carpenter apprenticeships. But unlike men, whose distribution was more widely scattered, women were concentrated in certain occupational fields. In 1940 there were only 11 Census occupational categories in which 200,000 or more women were employed in the United States. These 11 are

the familiar ones of: domestic service workers; stenographers, typists and secretaries; teachers; saleswomen; office clerks; apparel operatives; bookkeepers, accountants, cashiers and ticket agents; waitresses; trained and student nurses; farm laborers; and beauty operators and manicurists.

The war has enlarged the number of women in occupations in which formerly they were considered exceptional. In point of numbers involved and in variety of jobs, the most marked changes have taken place in manufacturing industries, where in March, 1944, 5,500,000 women were employed, 141 per cent more than in 1940. Much of the expansion of the employment of women has taken place in industries manufacturing aircraft, ships, vehicles and armament. But transportation companies, financial institutions, stores, hotels and other service establishments also are employing more women and placing them in more varied roles.

Since so many additional women entered the labor market during the war, it has been possible for the number of women in each of the major occupational groups to increase. However, one—the domestic service group—decreased by 20 per cent. Although other types of services employed more women to meet the war demands, the proportion of women workers in all service occupations, including domestics, re-

* Based on an address delivered before the Industrial Relations Association of Philadelphia, January 24, 1945.

versed positions with the proportion employed as craftsmen, foremen, operatives and laborers, essentially in manufacturing. Before the war 30 per cent of all employed women were in service occupations, while 20 per cent were in the manufacturing type of occupations. In March, 1944, 30 per cent were in the manufacturing group and 20 per cent in service occupations. As manufacturing returns to a peacetime pattern, service occupations are likely to outstrip it again in the percentage of women workers they employ.

Despite shifts of individual women in and out of and within the labor market, the fact remains that there is a substantial nucleus of women in the labor force who remain there from year to year. A recent study made by the Women's Bureau in cooperation with the Bureau of the Census verifies this fact in considerable detail.

In March, 1944, of the 16,500,000 women employed, more than 10,000,000 had been working the week before Pearl Harbor. Expressed in prewar terms, more than 80 per cent of the 12,000,000 women working before Pearl Harbor were working in March, 1944. These are the women who do not get much consideration these days; the women customarily employed who nevertheless actually form the majority of women workers. During the 28 months between Pearl Harbor and March, 1944, they were joined by 6,500,000 new workers, 2,000,000 of whom in effect replaced others who left their jobs during that period, most of them for homemaking duties. Of these newcomers, more than one-half came from home housework and one-third directly from schools. Significant in this connection is the increase in married women who entered the labor market. Although the number of single

women employed increased 32 per cent between 1940 and 1944, the number of employed married women increased 75 per cent.

There have been other changes, including shifts from one job to another. Take-home earnings have increased, though rates have not gone up conspicuously. There has been some improvement, although not so much as one would like, in the situation with regard to rate of pay for the job. A wider variety of training as well as employment opportunities has become available to women during the war period. There has also been an increase in the membership of women in trade unions, from 800,000 before the war to an estimated figure now well over 3,000,000.

What will be the lasting effect of these changes on the employment of women? What are the long-time trends? Will the additional women who have entered the labor market during the war want to leave or stay on? What kind of employment will those who stay on seek?

The Women's Bureau is completing a field study in which a representative sample of all women workers in certain selected cities has been interviewed to obtain facts upon which to base predictions and policies. On the basis of the information already obtained, the Women's Bureau estimates that 80 per cent of those now employed plan to work after the war. This would mean in the neighborhood of 15,000,000 women in the labor market. Obviously, their employment as well as that of returning veterans and of men in the labor market and that of the young people who join them as they complete their education, hinges upon an active economy in which there is opportunity for every individual to use his capaci-

ties and abilities in the production of goods and services. Inseparably, the employment opportunities and problems of women are involved in the development of an effective program for the employment of the vast human and material resources of the nation. Although women like to see the emphasis placed on the contribution they can make to the production of needed goods and services, rather than on their employment solely on the basis of need, it is nevertheless true that most working women need to support themselves and others. Thus, the recent Women's Bureau study found that three-fourths of the representative women workers interviewed were members of households and that, of these, 90 per cent contributed regularly to the family upkeep, at least half of them contributing one-half or more of their take-home earnings. The casualties of war increase rather than decrease the financial need for women to work.

As one looks forward to the new shifts and alternatives, to the decisions and choices involved in the changeovers from war to peacetime production, one recognizes that certain of them will fall with special impact on women workers. Many of the decisions represent a choice of personnel policy. Others involve choice of social policy or legislative action. All have broad social implications and will doubtless be more constructively determined if they have first been made the subject of responsible review.

Questions involving such decisions might well include:

1. The principles and techniques for handling layoffs, especially in industries where the initial shrinkage of workforce will be great.
2. The extent to which social situations having no direct relation either to job performance or to the need to work (such as marriage) are made reasons for the discharge of women workers. The effect of such policy on women's performance, on their personal situation.
3. The problem of rate of pay for the job whether performed by men or by women.
4. The effect of re-engineering, of the substitution of mechanical aids, and of other facilities provided to permit the employment of women in particular plants, on the continued use of women in those plants.
5. Problems of supervision, involving such unresolved questions as how far good or bad experience with the employment of women in new occupations and environments is conditioned by the character of supervision supplied (or not supplied) by management.
6. Problems arising out of lower wage standards and poor job organization in many types of employment at which women have been engaged in large numbers, including the field of domestic employment.

Of very great interest to the Women's Bureau, as well as of direct concern to women workers and their dependents, is the enlightenment which must surely be available out of the experience of personnel people who have worked with women in various situations. The appraisals of their experience and the records of their successes and failures will add to the store of human knowledge that will aid in the constructive readjustment of industry in that better postwar world to which we look forward.

- **BETTER COOPERATION** from employees in furnishing news items for the house organ can often be obtained by appointing an "assistant editor" in each department and then changing these assistants at periodic intervals. This system fosters a feeling of competition and gives all employees a chance to participate actively in the production of the paper.

—*The Hiring Line*, Vol. 4, No. 2

Keeping Supervisors Informed About Their Responsibilities

NO PLANT management can hold a supervisor responsible for things about which he has not been informed. It is important that every supervisor know not only the technical phases of his job but be continuously informed of what his changing responsibilities are.

The most successful supervisory development program is one sponsored and directed by top management and started at the top—the president or at least the general manager of the plant. Here are the basic features: (1) acceptance by top management of the responsibility for adequately informing supervisors about their responsibilities; (2) regular conferences at each organizational level, sponsored and directed by line organization supervisors; (3) frank discussion and appropriate action concerning company policies and individual responsibilities, at each level; (4) appointment of staff training men to direct the routine of these meetings, see that arrangements are made, notices sent out, agenda prepared, and reports issued.

The initial meeting should be called by the chief officer of the company or plant and attended by his immediate staff and other key people who are regularly associated with them. The object of this meeting is to discuss the need for keeping supervisors informed about their responsibilities and the details of the proposed program. The head of the company or plant should be the active chairman. A training man should assist him in laying out the agenda for this meeting and should attend in order to help in planning the later program.

Practically every company problem—plant extension, equipment, finance, quality control, shipping schedules,

costs, labor relations, etc.—should be touched upon to determine at the outset the scope of the responsibilities to be carried at each successive layer of supervision. Succeeding conferences on lower levels should determine just what responsibilities are to be carried by each supervisor on each level of supervision.

1. *Periodic conferences for supervisors on all levels.* Each chief supervisor should meet regularly with supervisors having comparable responsibilities who report to him. The agenda for these informal meetings should be brief, and usually meetings of one and one-half hours every two to four weeks will be found satisfactory.

As soon after the close of the first meeting as convenient, each member of the conference should, in turn, call a conference of supervisors reporting to him and carry on the discussion. This process should continue on down the organization to the first-line supervisors.

Regularity of meetings, promptness in sending out reports and in following up unfinished business, etc., are essential elements. The head of each group should always be present.

2. *Conference leadership.* The executive or supervisor in charge of each group at each level must be chairman of his own conference. If he is a trained conference leader, he may lead the meeting himself. If not, he may delegate leadership of the discussion to a conference leader, opening and closing the meeting and participating in the discussion. In either case, it must always be understood that the supervisor in charge is personally responsible for the success of the conference.

3. *Agenda of current supervisory*

problems. Responsibility for determining the agenda rests with the conference conducted by the top executive. The company training director, meeting with groups at all levels, maintains the thread of continuity and sees that action is not delayed and that proper reports are rendered. In some larger plants there may be a full-time "conference secretary."

The first step in planning a series of agenda is to find out what policies have already been set down in writing. This applies particularly to employment, training, hours, wages, transfers, promotions, seniority, layoff, discharges. Plans include insurance, hospitalization, sick benefits, vacations, savings, stock purchase, incentives; procedures include methods of wage payment, routine for reporting accidents, method of arranging transfers; rules, covering a wide field, are often not too sharply defined.

Quite often nothing exists in writing on a supervisor's responsibility as to scheduling, costs, maintenance, quality, waste, interdepartmental relationships. Each supervisor should also have knowledge of legal restrictions and regulations which affect plant operations. There will be written material on union contracts and often on grievance procedure.

Each conference, from the top down, places on its agenda not only topics which concern its own particular group but also those which should be brought to the attention of other groups. Many conclusions must be passed on to groups on *lower* levels for execution, and some of the opinions should be relayed to groups on *higher* levels for their information. One of the major results of this program is to penetrate the natural insulation between an execu-

utive and the entire structure below him.

4. *Subject matter for supervisory conferences.* For those who may not know how to get started, the following suggestions may be helpful: Open the meeting by presenting one or two topics which have been handed down by the next higher group. If the company has no written industrial relations policy, each group may develop initial drafts of such policies and present them to the higher groups—otherwise existing policies may be reviewed with an eye to modification. Recent government rulings, labor agreements, and training programs affecting responsibilities of supervisors may be discussed. Discussions of customer service, quality, maintenance, inspection, storekeeping, shipping may indicate clearly just which supervisor is responsible for what.

The most effective method by which areas of responsibility and authority can be sharply defined, overlapping of functions eliminated, internal jealousies dissipated, and procedures clarified and simplified is through group analysis of the responsibilities of the individual departments, divisions, supervisors, and through group agreement on conclusions. Frequently such agreements clear up difficulties between departments.

All supervisors need up-to-date information concerning the company, its products, and its technical processes. Company specialists should be invited to attend group meetings and lead discussions in their respective fields of activity.

5. *Importance of first-line supervisors.* Having general matters start with the chief executive group and flow down through the various conferences sometimes requires special help when

such matters reach first-line supervisors. If there are two or three work shifts, it may be impossible for the foreman to meet with all his supervisors. Perhaps it is not possible to remove all supervisors from the floor at one time. In such cases the foreman or general foreman can delegate to a conference leader the responsibility of conducting some of the conferences for him.

It is important to remember that information tends to lose its clarity and significance as it passes from one level to another. A report from the first-line supervisors telling their understanding of the information should be asked for when there is any possibility of misunderstanding.

Training Within Industry Bulletin Series, December, 1944.

Vacation Policy in Selected Industries

VACATIONS with pay in American industry have become increasingly widespread during the past few years. Although the vacation movement has been gradually gaining in acceptance since the first World War, it is only in late years that the practice of granting paid vacations has become common in many industries. While it is true that vacation allowances have been considered a prerogative of office workers for some time, the majority of industrial plant employees have gained this benefit only recently. In manufacturing industries, vacation plans now apply to about nine-tenths of the workers in unionized plants and to three-fourths of those in unorganized plants. In some of the non-manufacturing industries the proportions are even higher.

Wide differences exist among the various vacation plans now in operation, especially in the liberality of these plans as between the different branches of manufacturing and non-manufacturing industry. The length of the vacation ranges from a few days to several weeks. The right to any vacation with pay depends on a period of service with the company, which may be less than half a year or more than five years. Under some plans the length of vaca-

tion is graduated according to length of service; under other plans, there is a single provision for all who meet the minimum terms of eligibility.

The current interest of trade unions in vacation provisions is well known, and the extension of such provisions has assumed a prominent place among union objectives. During the war period, in which wage increases have been controlled by the government, one of the most important benefits that a union could obtain for its members has been a new or more liberal vacation arrangement. The National War Labor Board has been deeply concerned with the subject, and its general policy has been to permit the establishment, and sometimes the liberalization, of paid-vacation allowances. Specifically, the Board has usually approved vacations of one week after one year's service and two weeks after five years of service. Its recent award in the "Basic Steel" case is a notable example of this policy.

Over 15,000 establishments and 4,000,000 workers in a variety of important manufacturing and non-manufacturing industries in all sections of the country were covered in a study, made by the Bureau of Labor Statistics, of vacations with pay in the war

year of 1943. In this period 66 per cent of the establishments reporting on plant employees and 86 per cent of those reporting on office employees allowed these groups of workers some vacation with pay, after various specified periods of service. More than 3,000,000 plant workers and over 430,000 office workers were found in these establishments, constituting 85 and 97 per cent, respectively, of all such workers studied.

Paid vacations were more widespread and applied to somewhat higher proportions of workers in retail trade and the other selected non-manufacturing industries that were studied than in the manufacturing groups as a whole. In individual manufacturing industries, however, particularly in some branches of metalworking, equally high proportions of workers were covered by paid-vacation plans.

One week's vacation after one year of service was the allowance most commonly provided for plant employees under both single- and graduated-type plans in all industries studied. Over 60 per cent of all plant workers covered by some type of paid-vacation plan, however, could receive a maximum vacation of more than one week after meeting varying service requirements. Seventy-one per cent of the workers covered by single-plan provisions re-

ceived a week or less of paid vacation, generally after one year or less of service; another 25 per cent were in plants providing two weeks' vacation. The same type of concentration applied to workers covered by graduated plans, 97 per cent being found in plants allowing a minimum of up to one week after a specified minimum service period. Seventy-three per cent of the workers in such plants, however, could receive up to two weeks' vacation, usually after longer periods of service. In two-thirds of the 10,000 plants granting paid vacations the single-type plan prevailed, but the majority of employees covered were found in establishments having some form of graduated-type plan.

Practically all the office workers studied (97 per cent of the nearly 450,000 office workers for whom data were available) were covered by paid-vacation provisions. More of these employees were covered by graduated than by single-type plans. In single-type-plan establishments, 63 per cent of the office employees received a two weeks' vacation with pay, usually after one year of service. Under graduated plans the majority had one week off with pay after less than a year's service and a maximum of two weeks after a longer period. *Monthly Labor Review*, January, 1945, p. 80:16.

A Foreman's Creed*

I BELIEVE in the job I'm doing, in the firm I'm working for, and in my ability to get results. I believe that honest goods can be passed out by honest men by honest methods. I believe in working, not weeping, in boosting, not knocking, and in the pleasure of my job. I believe that a man gets what he goes after, that one deed done today is worth two deeds tomorrow, and that no man is down and out until he has lost faith in himself. I believe in today and the work I am doing, in tomorrow and the work I hope to do, and in the sure reward which the future holds. I believe in courtesy, in kindness, in generosity, in good cheer, in friendship and honest competition. I believe there is a more important job ahead for every man ready to do it. I believe in preparing for that job—right now.

*Distributed by the York, Pa., Foremen's Club.

Improving Supervisors' Knowledge of the Work

THOROUGHLY capable supervisors frequently fail because they lack proper knowledge of their work. This need not be. All that is necessary in a given plant is for *someone* to have a *plan* for improving supervisors' knowledge of their jobs and to see that it is followed. That "someone" in each company will be the manager or some other person to whom management delegates this responsibility.

Following are a few of the more common circumstances which may point to the need of improving supervisors' knowledge of their work:

1. *New Supervisors.* Many new supervisors are being appointed to replace men who go in the army or who are transferred or retired. Likely the new supervisor has only passing familiarity with the much larger group of operations for which he is now responsible.

2. *Experienced Supervisors on New Jobs.* Years of practice limited to one or two operations do not mean that the "old hands" have adequate technical knowledge when placed on new jobs in new or converted plants or in different departments.

3. *Changed Jobs.* Countless jobs have changed and continue to change because of the necessity of making new products out of new materials on new equipment.

The following are suggested methods for imparting a better knowledge of their work to supervisors:

1. *Instruction from Superior.* The ideal arrangement is for the newly-appointed foreman to receive instruction directly from the general foreman over a period of time. Often instruction from a superior takes the form of

guidance on day-to-day procedures only. The superior may not have the time—or may think he hasn't—to instruct the new supervisor in many details. However, it is sometimes surprising how much "the boss" can help when he is *required* to do so by the "big boss."

2. *Instruction by Outside Specialists.* Outside specialists can help to a marked degree. Most machinery and equipment companies will arrange for one of their representatives to come to the plant when the equipment is new and stay for a period ranging from a few days to several weeks. In other cases a specialist from the ordnance department or from the original contractor company will spend time with a supervisor on the job.

3. *Planned Work Experience.* Often a supervisor—new or experienced—may need to be instructed in performing several manual jobs in order that he can direct them well.

Many a supervisor feels he is "stepping down" when he runs a machine for a few days or a few weeks. He feels he has lost status in the eyes of his workers because the workers can perform the operations better than he.

Any supervisor who wants to succeed, however, must accept this risk. Actually he runs no risk at all if he is the "right kind of guy." Workers admire the boss who is willing to "get his hands dirty" in order to "know what he is talking about."

4. *Experience in Another Plant.* Sometimes a supervisor can be sent to another plant for a short time to pick up some technical knowledge or operating procedures. Thousands of plants have cooperated with each other on this basis already.

5. *Job Breakdowns.* A sure-fire way of making supervisors thoroughly conversant with operations or procedures is to have them make an accurate, written outline of each operation or process. No particular form of breakdown is necessary. However, any supervisor who has used either the Job Instruction or Job Methods form of breakdown would certainly understand thoroughly those operations he "broke down."

6. *Manuals.* The use of manuals is common, and they offer many advantages. Manuals are available from a variety of sources, or may be compiled in the plant.

7. *Help from Engineers.* Help from one or more of the company's engineering groups is often the most valuable that a supervisor can receive. Engineers should be required to spend time on the job with the operating supervisor and to hold meetings with plant supervisors to present technical information and answer questions. This is not a "one-way" process, for engineers too get extremely valuable help from the supervisory staff.

8. *Plant Conferences.* Staff meetings for passing along information at each executive and supervisory level should be held frequently enough to provide every supervisor with as much knowledge and technical training as he needs in order to do a top-grade job.

9. *Supplementary Instruction.* Extremely valuable supplementary instruction may be acquired from the engineering colleges and universities as well as vocational schools. If the plant is not near one of these institutions, very often an extension program can be arranged. If a company desires certain special courses to be developed, and the number of persons justifies this, the schools will often develop such programs.

Acquiring knowledge about supervisory work should not be left to the supervisor's initiative, but should be planned just as carefully as any other company program. Someone in the company should be designated to counsel with each executive and supervisor concerning the needs of each of his subordinates. In larger companies this person is usually the training director; in smaller companies it is often a production executive who gives part of his time to this work. Together they should set down what a subordinate *now* knows about the job and then set down what he *needs* to know. Management should let it be known that every supervisor is *expected* to keep abreast of the technical demands of his job and then provide a *plan* for accomplishing this. *Training Within Industry Bulletin Series*, December, 1944, 4 pp.

Teen-Age Youth in the Wartime Labor Force

TWEEN-AGE boys and girls have been the largest single source of additional wartime labor supply. There are about 5 million teen-agers in the civilian labor force and 1½ million in the armed forces. This total of 6½ millions exceeds normal peacetime expectations by almost 3 millions. There are 1½ million young persons attending school and working part time (on an average, 20 hours per week), largely in retail trade. Those not attending school are employed a full workweek (average, 46 hours), mostly in manufacturing and agriculture. Wartime gains in teen-age employment are largely temporary, running counter to a strong long-term trend toward longer school attendance and less labor-market participation for young persons in the United States.

—*Monthly Labor Review* 1/45

Buck-of-the-Month Club Solves Contributions Problem

AN ATTRACTIVELY printed booklet acquaints all employees at Lockheed Aircraft Corporation (Burbank, Cal.) with a group plan for collective giving to charitable, welfare and relief organizations. Through a series of questions and answers, the booklet outlines the operation of the plan in detail.

The Lockheed Buck-of-the-Month Club is an organization composed of Lockheed men and women who voluntarily contribute a small sum regularly to charity. The club was organized by Lockheed employees and is sponsored jointly by the Lockheed Employees' Recreation Club and the union. Its purposes are twofold: (1) to provide, at slight individual cost, opportunity for all employees to participate in worthy charities and aid-deserving welfare organizations; (2) to save vital time by eliminating all other fund-raising campaigns among Lockheed men and women for the duration.

To join the club, an application card, enclosed with the booklet or obtainable from supervisors, is signed and dropped in a time-card box. The payroll department is thereby authorized to make a deduction of \$1.00 per month from the individual's wages. Through these three-and-one-half-cent-a-day contributions, the Buck-of-the-Month Club was able in the first 28 months of its existence to contribute a total of \$983,304.45 to worthy charitable, welfare and relief organizations.

A committee consisting of the president and vice president of the Lockheed Employees' Recreation Club and the president and the vice president of the union serves as the agent for club members. Company executives act as advisory members. The committee investigates and votes on all requests for contributions. Approval of a donation requires unanimous vote of the committee. When a request is approved, the committee members decide the amount to be given, taking into consideration the extent of the need and the funds available. After approval, a Buck-of-the-Month Club check is made out to the organization.

Each club member receives a card certifying that he or she is a regular contributor to the Buck-of-the-Month Club. A duplicate card is issued for use at home to enable members to avoid double contributions.

The only overhead expense paid out of Buck-of-the-Month Club funds is for checkbooks, the bonding of disbursing officers, and the cost of the regular audit. In the first 28 months of its operation, total operating expenses paid out of club funds amounted to \$1,252. The officers serve without pay. Lockheed, as its contribution, bore the cost of the booklet and pays all other overhead.

The Buck-of-the-Month Club plan is not copyrighted. Other organizations are free to adopt all or any part of the program.

—*Idea Clinic* No. 17 (Industrial Recreation Association)

Activities of Credit Unions in 1943

THE 9,000 active credit unions in the United States made more than 1½ million loans to their 3 million members in 1943, amounting to considerably over 211 million dollars. On this business, earnings were made exceeding 6½ million dollars, from which dividends on share capital amounted to \$5,335,891. Total assets of these cooperative credit associations amounted to over 362 million dollars.

As a result of a combination of wartime factors (increased earnings of workers, lessened need for credit, control of installment buying, dearth of certain high-cost consumer goods, etc.), this branch of the cooperative movement has been showing a downward trend since 1941, after a hitherto unbroken rise.

As compared with 1942, all the above totals except assets showed a decrease. The membership fell 3.3 per cent, business (loans granted) 15.4 per cent, and earnings 37.5 per cent. On the other hand, share capital increased 6.9 per cent and total assets 6.3 per cent.

Considering credit unions of all types combined, at the end of 1943 six states (Illinois, Massachusetts, New York, Ohio, Pennsylvania and Wisconsin) had over 500 active associations each; in only Illinois, however, did the credit union membership exceed 300,000. Illinois and New York were the leading states as regards loans made during the year.

—*Bulletin* No. 797, U. S. Department of Labor

Production Management

Incentive Program Gets Worker Cooperation

MANY war production plants, looking ahead to the tremendous needs of the postwar market, have found ways to get workers to cooperate more and to produce in greater quantity than ever before, through the use of systems or plans geared to turning out on the assembly line a more uniform product and holding factory defects to a minimum. These programs are designed to hold absenteeism at wartime lows, to maintain employees' interest in work, to cut down carelessness, and alleviate many of the other things that at first obstructed war production. Such a plan is in operation at the Radio Receiver Division of General Electric Company, Bridgeport.

Several years ago, the Receiver Division, after a complete study of manufacturing processes, decided that some program should be developed whereby the individual mechanical operations of employees on assembly lines could be made more continuously uniform. As the ideas evolved from this study, they were tried out on actual production lines, and were finally incorporated into an elastic plan now known as the "workers' incentive program."

Before considering the actual mechanics of this program, some background is needed. All manufacturing staffs have, at one time or another, given much thought to having all materials going into manufacturing processes wind up on the shipping platform in the shortest possible time, with no wasted or rejected material en route. An equal amount of attention has been given to perfecting plant machine oper-

ations. On the other hand, personnel, the most important cog in the whole wheel of the organization, is seldom considered except from a standpoint of skill and aptitude.

Fundamentally, management is constantly faced with the following questions, which have an important bearing upon efficient manufacturing operations and are directly related to the individual worker: Where do errors originate in the factory? What can be done to alleviate the situation? When sources of errors are removed, does the actual cost of production equal the estimated cost? What records can be used to keep account of the perfecting of the particular manufacturing process? What steps can be taken to develop a greater degree of perfection?

These are basic questions which the Receiver Division used in developing the "workers' incentive program."

Experience has proved that this program can be applied to any manufacturing process. No matter how simple or complex the product, this program is practicable if an inspection point exists.

The program involves the following procedure:

Whenever an operation is performed, whether on an assembly line or elsewhere, a card holder containing a replaceable record card is placed near the operator. This card has spaces for every hour of the day and all the days of the week. The line inspector or final tester keeps an itemized hourly record of all errors. Each hour, or as soon thereafter as practicable, the supervisor

marks the errors made by the operators on their respective cards.

This method has three distinct advantages:

1. It definitely ascertains the source of the error. If a component part is defective, the original can be quickly located.

2. A supervisor who is obliged to score cards hourly has a continuous knowledge of the quality situation.

3. The worker's realization that the supervisor is at all times familiar with his work is of great psychological value.

This idea of scoring errors is part of a complete plant method whereby scoring of operators is based upon all employees working upon assembly throughout the division.

For the purpose of individual scoring, a logarithmic curve is used. This curve is the basis for establishment of a percentage system in which 100 per cent is par. The deductions decrease as the number of rejects increases. This method of rating is used so that inexperienced operators are not penalized and to preclude the possibility that a new operator will be rated below zero. It should be noted that this scoring is not predicated upon the total quantity expected of an operator during the working period but upon the number of rejects only.

When war was declared, the experience gained dictated an expansion of the program. The items of quantity, attendance and housekeeping were added to that of quality.

The quantity of work produced by an operator is gauged by comparing actual with scheduled production.

An operator who is neither absent nor tardy receives a 100 per cent attendance score for the day. Tardiness

reduces the attendance record by 25 per cent, and half-day absences by 50 per cent.

Housekeeping, an important factor in proper plant operation, is based on the percentage of the floor area that meets the General Electric standard.

Jobs are weighted as follows:

Quality	40 per cent
Quantity	10 per cent
Attendance	30 per cent
Housekeeping	20 per cent

Attention is given to each factor of operation when computing percentage values. For example, an operator working on a conveyor line has little control of quantity. In this case, quantity is assigned a lower percentage.

At the end of the working day, the individual operator's ratings are consolidated into group and department ratings. These are posted in conspicuous places.

All members of the department that has the best record for the week are awarded small proficiency pins. A banner, which may be kept in the department as long as it maintains top efficiency, is also awarded with appropriate ceremony. Photographs of the group are taken and published in the plant newspaper.

Colored posters and slogans are used and changed regularly. Performance pledges are sought and contests of various kinds are conducted.

The "workers' incentive program" has been justified not only from the standpoint of costs; as a result of the program, a personal feeling of responsibility has infiltrated through all departments down to the individual workers. By A. R. GOODWIN. *Factory Management and Maintenance*, November, 1944, p. 98:3.

Shop Men Give Their Ideas on Improving Machine Tools

CHIP COLLECTION and removal, and a wider range of feeds and speeds are among the important factors meriting consideration in the design of new machine tools, according to the views obtained by one large manufacturing company from several of its production men. Twelve suggested improvements for machine tools, presented as a consensus of the men interviewed, follow:

1. With increases in cutting feeds and speeds, chip collection and removal has become one of the most troublesome problems in the entire janitor department. If possible, machines should be so arranged that chips will either slide or be conveyed out of machine into chip conveyor or chip can on the outside of the machine proper.

2. More attention should be given to design to prevent leakage and splash of both lubricating oil and cutting lubricants or coolants outside of the machine and onto the floor. A well-designed machine tool should not require a supplemental base pan for catching leaking oil and coolant. More attention should be given to inclosing working areas effectively.

3. It would be helpful if some sort of standardization could be made in the design of coolant pumps, which preferably should be individually motor driven with the pump and motor being one integral unit. The method of mounting the pump should be standardized and designed for interchangeability regardless of pump capacity. This would reduce the number and variety of spare pumps required, and alleviate the downtime problem.

4. Machines are handled exten-

sively by cranes in modern plants. The machine tool builder should provide U-loops at the proper locations for attachment of crane hooks or chains. When it is necessary to wrap chains and wire ropes around equipment to move it, damage often results. Also, all machine bases should be designed with bosses or recesses to provide clearance for lifting jacks. A place should be cast or machined on the machine base flange for a pry bar.

5. All medium- and heavy-weight machines should have leveling screws with lock nuts on the base flange. Heavy precision machines should have built-in bubble level indicators on cross and length of machine to check out-of-level condition at all times.

6. Machines, especially milling machines, should have more rigidity and power to stand up under new milling techniques involving greater spindle speeds and feeds. A wider range in feeds and speeds would be most desirable.

7. In some of the new machines that have been received within the last few years, the manufacturers seem to have sacrificed maintenance and electrical accessibility in order to obtain a more streamlined appearance. In some instances it is impossible to oil the electric motor without removing it from the machine. Likewise, electrical control equipment is often located in recesses or in the base of the machine so as to make maintenance extremely difficult and hazardous. The aesthetic is fine, but not at the sacrifice of utility and proper maintenance.

8. Consideration should be given in designing machines for precision work

to provide individual filters and built-in refrigeration with sufficient capacity to maintain the required accuracy and prolong tool life throughout the extremes of operation and temperature.

9. More standardization in the designation of machine size as between makes would be desirable to eliminate confusion. Also, lathe spindle noses should be standardized to fit stand chucks.

10. Full automatic lubrication should be incorporated in every machine where practical, and so arranged as to stop the machine when pressure drops below safety point. Other points of lubrication should be placed and designated so that they can be located easily.

11. Hydraulic controls are desirable where variable feeds are required and mechanical controls in cases of positive and uniform feeds, especially for tappers. In designing controls, special attention should be given to their accessibility, both from the standpoint of the operator and from that of maintenance and adjustment.

12. Other points for consideration are lighter paint colors, especially for work areas, automatic wheel dressers for production grinders with automatic compensating feed-in of wheel slide, hardened slides and ways, electronic controls with motors requiring speed change and reversing features.

American Machinist, February 1, 1945, p. 101:2.

Absentee Sickness Rate Soars

ABSENTEEISM due to sickness among male industrial workers showed a substantial increase for the third quarter of 1944, shooting the total industrial sickness rate in the year up to 37 per cent above the average for the period 1935-1944, according to statistics released by the Industrial Hygiene Division of the U. S. Public Health Service.

Nonrespiratory-nondigestive diseases rose 15 per cent above a like period in the previous year. Conditions contributing to this record included a 26 per cent increase in rheumatism, a 29 per cent increase in neurasthenia and other diseases of nervous or mental origin, and a 34 per cent increase in diseases of the genitourinary system.

The incidence of rheumatic diseases, diseases of the heart and arteries, nephritis, and nervous diseases has never been equaled or exceeded within the past decade. Nervous diseases showed the highest rate of increase, rising 76 per cent above the 10-year mean.

Employment conditions peculiar to wartime are held responsible. Categories of diseases showing the highest increase involve mainly older workers. The hiring of workers long unemployed or retired is one factor held to contribute to the record sickness rate, as is the employment of youths and other inexperienced personnel, and the necessity for employing in industry men rejected by the armed services.

Wartime working and living conditions are thought to be reflected, since other factors held accountable include emotional strain and personal mental conflict, overcrowding in plants and war communities, fatigue due to the lengthened workweek, and night work.

—*Industrial Hygiene News Letter* 1/45

• **COLOR**, the latest adjunct to factory science, is making the machines in Consolidated Vultee's San Diego plant look like huge, brightly painted toys. Big moss-green drop hammers, for example, are designed with delicate flesh-tinted fittings and gay carmine plugs; light switches and even crane pulleys are bedecked in red. Originally a concession to aesthetic female workers, abolition of gloomy hues is boosting production, reducing eyestrain, and relieving nervous tension.

—*Forbes* 1/1/45

Marketing Management

Preparing for Postwar Sales

AS SALES executives dig into postwar planning, they're finding that there's plenty of hard work to do, but that much of it can—and must—be done right now. One nationally known sales authority states point-blank that “a large proportion of concerns simply will not be prepared to get out and sell aggressively when selling of that type again becomes a peacetime necessity.”

Here is a check-list of major points, most of which have already been adopted by leading companies. Many can be applied to almost any business:

1. *Revamp the entire sales department.* One heavy industry, for example, is adding three separate divisions to its sales department: a market research department, to investigate new uses and markets; a market development division, to develop actively the new markets after discovery; and a production planning department, to coordinate both selling and manufacturing. This company is also studying every phase of its past sales department, operation, and is making an intensive survey of salesmen and rating them for the future.

2. *Whip up selling enthusiasm from president down.* Salesmindedness must start at the top. First build a progressive program, then present it to the entire executive group to get them salesminded; then to superintendents and department heads, and, of course, to the sales force itself.

3. *Get salesmen out now.* Every day sees more and more salesmen who haven't traveled for two or three years hitting the road. They are reviving

old contacts, making new ones, getting the “feel” of their customers, discussing customers' postwar plans, and, in general, finding out what will be necessary for a fast sales start.

4. *Sign up new salesmen.* An electric appliance manufacturer has doubled his sales force already, drawing on returned veterans. An insurance company is recruiting men by folders sent with invoices to thousands of policyholders. The folders ask for names of returning veterans who will “be seeking new and broader opportunities.” Why wait until everybody's fighting for salesmen? The competition will be terrific.

5. *Ascertain new purchasing habits.* What will your customers buy? Have their tastes changed during the war? It isn't safe to plan the future entirely on the past.

6. *Set new goals for salesmanship.* A consumer goods manufacturer puts it this way: “After the first flush of buying, we'll find a highly competitive market with the need to sell 40 per cent to 50 per cent more than in any previous year. Can we do it? Not with our former methods. Our lines will be different, improved, with some new ones. We shall have to teach the men all over again not only about the products but how to sell. The man of tomorrow won't be just an order-taker. He should and must be a trained specialist, constructive, creative and helpful to his customers. We believe it's our job to build that salesman now.”

One manufacturer has found, through market research, that he can increase sales 18 per cent by invading

small communities never before tapped.

7. *Open branch offices.* One equipment manufacturer closed nine offices during the war. These are gradually being reopened, and four new offices planned.

8. *Help distributors prepare for peace.* The executive of a silverware company states: "If our retailers enjoy good sales postwar, then we as manufacturers will have good sales too. It's up to us to help retailers prepare for peace. We suggest various ways to renovate, modernize or even redesign, to help them do a better sales job. We even go so far as to suggest what and how much of each stock to carry."

9. *Re-sell the company.* Companies which expect to take up where they left off with their distributors may be in for a shock. People forget—and during the war may have built up resentment at lack of attention or scarcity of products. Goodwill must be restored.

10. *Preview postwar products.* One consumer goods maker reports: "Of course, the best way to generate dealer enthusiasm is to give an actual preview of your postwar products. For competitive reasons our lines are strictly 'under cover,' but we invite dealers to our factory a few at a time, where we dramatically show our products and tell the profit story. In this way we've signed up old dealers, and some new ones." In addition, valuable product suggestions are often obtained.

11. *Get a solid hook-up between selling and advertising.* Thousands of salesmen take advertising for granted, but don't use it in selling. One large manufacturer has this novel and direct approach: "The first thing we design is the major sales presentation for the retail salesman to use in his daily selling. Then we work back from that to

our magazine, newspaper and radio advertising. In this way our advertising and sales coordinate into a unified selling program that really clicks."

12. *Whet customers' appetites now.* When is the right time to start advertising postwar products? Here's one viewpoint: "Polls show that the public will buy 3,100,000 washing machines postwar; but will they buy ours or somebody else's? We decided to build a demand for *our own* brand and so have launched a program of magazine and radio advertising. We don't tell or show exactly what our product will be like, and it isn't necessary. But we're selling people on the fact that our product will be a leader, and so we're whetting public appetite for our particular make."

13. *Plan or produce sales literature now.* Most prewar catalogs and literature are obsolete, yet sales literature will be needed in a hurry when civilian manufacturing starts. Says one machine tool manufacturer: "We've issued catalogs on most of our products. These catalogs are sent to war producers for present business, but they also put us in the running with postwar planning committees. Hence a demand will exist when war production is cut back."

14. *Get set for quick changes.* No one can predict postwar conditions accurately. One company has figured its position three ways: (1) peak business, (2) medium business, (3) relatively poor business. Says the sales executive: "The job will be to keep our program so flexible that we can move fast to capitalize on any situation that may arise."

15. *Make a "Blueprint for Action."* A midwest company has a chart called "Blueprint for Action," which is distributed to top executives, department

heads, salesmen, branch offices, etc. It outlines company objectives so that all can aim for the same goals. It also shows consecutive stages in the program. In the words of one executive,

"The chart will keep us all on the main road and, with everybody working together, we should really go places."

By CY NORTON. *Forbes*, February 1, 1945, p. 17:2.

Picking Better Salesmen

THE FAMILIAR application blank can readily be adapted by most companies to a special technique that has genuine, if modest, possibilities for improving the selection of salesmen. At least a few concerns have used the blank for this purpose for a good many years with satisfactory results.

The procedure for adapting the application blank to improved salesman selection will be described here in detail. It is a simple matter to arrive at this personal history blank (or personal rating scale or scored history blank).

A group of salesmen are rated on such criteria as their sales records and the verdict of their supervisors and divided into such classifications as good, average, poor; or excellent, very good, average, fair, poor, or any similar breakdown. If the final specifications are to have any statistical significance, the number of salesmen rated must be considerable—100 would seem to be a minimum, and many times that number is desirable. An analysis is then made of certain facts in the personal backgrounds of these salesmen, either by examination of their records or preferably by interview, since interviewing makes possible a much wider selection of the significant facts sought. These facts include age, height, occupation, dependents, employment status, amount of life insurance, amount of debts, education, time with present employer,

membership in organizations, previous positions held, previous earnings, reasons for leaving previous job, net worth, living expenses, length of negotiations for job, and similar items.

Some studies have been initiated with as many as 60 such facts or items. The record (or responses, in case of the interview method) of each salesman in each of the predetermined groups is then analyzed, item by item, to determine whether any item achieves significance as the conspicuous characteristic of any one group of salesmen. Thus, for example, in most cases it will be established that age groups fall into a definitely significant pattern with reference to the criteria groups of salesmen. In some studies, height will be found to have significance, for a correlation may be established between men six feet or more in height and the most successful group of salesmen; but in other instances the factor of height will be found to be without such significance. In one study, one of the items considered had to do with city or country background of the salesmen, because some of the company's executives believed that the men with rural background were more successful than the urban-reared salesmen. The study established the fact that the city and country salesmen were distributed with approximately equal frequency among the criteria group, and this factor was accordingly abandoned because it could

not contribute to the establishment of the differentiation sought.

For final compilation of items to be included on the weighted personal history blank, only those are retained that clearly establish themselves as factors that apparently distinguish potentially good men from potentially poor men. On this basis most weighted personal history blanks include from 10 to 15 items.

After all the items to be included on the blank have thus been selected, the next procedure is to assign a series of weights to all items. These weights are arrived at by correlating various phases of each item with the degree of success each phase indicates. In the item having to do with age, for example, it may be established that the maximum correlation with success obtains in the case of the less-than-39 age group. The statistical procedure will then assign a definite weight to this age group, say a weight (or score) of 7. The next highest correlation with success may be the 45-to-49 age group, and the weight for this age group, statistically arrived at, may be 5. Age group 50 or more is found to be third, with a weight of 4. Last is the age group 40 to 44, with a weight of only 2. This statistical weighting or scoring is carried out with each item on the personal history blank.

One of the best known and most widely used of the weighted personal history blanks is that developed by the Life Insurance Sales Research Bureau and used by a large number of its member companies. The Bureau's blank was developed on the basis of a study of the records of 10,111 men without previous life insurance selling experience who became insurance salesmen during 1933, 1934, and 1935. Twenty-four items were studied, of which 10 were selected that seemed to give the

best predictions of amount of production and of a salesman's remaining in the life insurance business.

The Tremco Manufacturing Company, Cleveland, used a four-page application blank containing 31 items, including considerable personal history information. When O. A. Ohmann assumed the position of Tremco's consulting psychologist, he proceeded to analyze the salesmen's application blanks that had been accumulated over a period of years with a view to determining which, if any, of the items of information given by the men at the time of employment would have differentiated between the men who were at that time making good and those who were not. Thirteen items were used as the basis for the company's weighted personal history blank.

A personal history blank developed by Kornhauser and McMurray used these items: age, length of time at last address, make and age of car owned, type and length of previous sales and management experience, marital status, whether or not previously in business, number of dependents, discharge record, earnings expected, and ownership of furniture.

The Phoenix Mutual Life Insurance Company uses these items: marital status and dependents, education, previous income, life insurance owned, previous occupation, selling experience, minimum living expenses, length of residence in community, present membership in organizations, length of time of negotiations. The company combines scores from its personal history blank with scores from the test of personality characteristics developed by the Life Insurance Sales Research Bureau.

Any sales executive contemplating the use of the weighted personal history

as an aid to selecting salesmen should recognize that, however simple the device may be, there is no easy path for arriving at a satisfactory blank for an individual company. To adopt outright any existing formula without determining the specific application of the items to the company's sales personnel, would at best probably be valueless, and at worst, dangerous.

Tracing Sales Through Wholesalers and Dealers

TO GET the most out of local and national advertising, to avoid diminishing returns in distribution, and to direct efficiently the work of detail men, the sales manager needs some important facts. Basically, what he should know is:

1. How many retailers are to be reached, who sell or should sell the product—their names and addresses?
2. In what type of business is each of these retailers engaged?
3. How good are these retailers? (Above average, average or below average in volume of your generic product?)
(a) As to volume of merchandise sold; (b) as to credit rating?
4. If they are in larger cities, are they located in (a) principal shopping centers; (b) neighborhood shopping areas; (c) outlying areas—isolated outlets?
5. What competing products do they sell?
6. Are they "prestige outlets"?
7. What prices do they get for your product and competing products?

Probably the biggest clerical job involved in setting up distribution control is that involved in collecting data for question (1). Lists of nearly all types of retailers, however, are available from list houses. If the retailer sells cigarettes, gasoline, margarine, alcoholic beverages, or other products whose sale requires a special license

From the standpoint of scientific methods the weighted personal history is a crude device. The best that can be said for it is that it works pretty well—which admittedly is saying a good deal, considering the poverty of so many other methods.

By SAUL POLIAK. *Printers' Ink*, January 26, 1945, p. 17:5.

from state or federal government, the names and addresses are available from federal Internal Revenue sources or state licensing bodies.

Another source of lists is Dun and Bradstreet. If this source is used, data for questions (2) and (3) are also available and can be taken off at the same time as data for question (1). Other sources also exist, such as trade associations, trade directories, etc. The important point is that the list should be as complete as possible.

The entire program should be planned carefully before the list is compiled from the sources. The form in which it is transcribed must fit into the entire program if there is to be a minimum of wasted time. Usually a card record is best because it simplifies sorting and classifying.

Once the list has been prepared, the wholesaler outlets for each territory are sorted and segregated. This is easily done if distributors have been given definite, exclusive territories. If wholesalers' territories overlap, the card of an outlet which may be served by two or more wholesalers must be duplicated for each wholesaler who can or should sell to it. The list for each wholesaler

is then typed on forms which are used in obtaining data on as many points as the control requires.

It is wise to design this form so that anyone can fill in the data with the least possible effort. Considerable information can be filled in by check-marks. If codes are used, it is important that the definitions be clear and that memoranda covering them be enclosed with the instructions for the list.

The final step in gathering data is to get someone to fill in the form. Most manufacturers have a choice: They can enlist the cooperation of their wholesalers and their salesmen, or they can assign the task to their own detail men in the wholesalers' territories. The first method will probably result in more accurate data, but it may take longer. The second method will require less time, but because control over the distributor's salesmen is indirect, the data may not be so accurate or so complete. Both methods have this advantage: Salesmen are asked to go into outlets to obtain data, and experience has shown that when salesmen are forced into outlets for information they cannot resist the opportunity to sell if the outlet is not already a customer.

It may be necessary to point out that collection of original facts may take several months. Thus they may be representative of one territory as of one time of the year and representative of another territory as of another time. This, however, is not a serious handicap except in highly seasonal lines. Even then, the variation can be adjusted with reasonable accuracy.

If the method of wholesalers' cooperation is to be used, it is necessary to sell thoroughly the need for collecting data to the wholesaler and his sales force.

This is not a one-time job. Full value can be realized from it only if the effort is repeated annually or at least every two years.

If the essential data is obtained, tabulating and sorting of the control cards will tell the manufacturer, among other things:

1. How many retailers sell his product, and who and where they are. More important from a promotional angle, how many retailers who should sell his product, do not, and who and where these new prospects are.
2. The types of businesses each of these two groups are engaged in, and the approximate value of their sales.
3. What proportion of all potential outlets sell the brands of his leading competitors.
4. Whether distribution is spread over the entire market or concentrated in one or two neighborhoods so that the product is available only to a small number of people in the market to whom national advertising has been directed.
5. Whether distribution is good, fair or poor in those retail outlets whose reputation will add to the prestige of the product in the market.
6. How the retail price of the product in the market compares with that of competition.

Comparison of the distribution of a product by several similar distributor operations by these classes will show at once that some have concentrated distribution in certain types of outlets and in certain areas, and have neglected others. When these facts are put before the wholesaler, little persuasion is required to convince him to alter his procedure so that the weak points are covered. Moreover, these facts properly presented have a strong tendency to bolster his entire sales operation and instill a more aggressive attitude in his sales force.

To be of greatest use, distribution data must be analyzed in connection with the purchases of the wholesaler serving the territory. Knowing the

number of outlets selling your product in the territory, it is easy to determine the wholesaler's average sales per outlet. (Changes in wholesalers' inventories must, of course, be considered.) Using census data, the absorption of your product per capita is also readily figured.

Moreover, these facts are a check on the accuracy of the distribution data. If distribution has been overstated, it shows up at once in lower sales per outlet, and vice versa. These checks make the wholesaler face the facts, and from this comes a substantially improved wholesaler operation.

Analysis of the distribution figures will show that in some markets there is a potential sales volume many times as great as the actual sales, but there is not manpower enough either among the manufacturer's detail sales force or

the wholesaler's salesmen to do a thorough sales job.

Perhaps your product requires a selective retail distribution rather than broad distribution. The same data are useful here also because information on credit rating, sales volume, location of the retail outlet, and the prestige factor makes it easy to select those outlets which should be approached and sold under a selective distribution program. By sorting out the particular selective classifications of retailers you want to sell your product, you can develop a special territorial assignment for your detail salesmen and your wholesalers, and because you have names and addresses a concentrated direct-mail campaign can be directed to these selected retailers. By W. W. HEUSNER. *Sales Management*, September 1, 1944, p. 50:5.

Changing Emphasis in Selling Plans

PRIOR to the war, acquisition of new dealer accounts generally followed a definite pattern. First, there was usually a discussion of the great market possibilities, with charts and impressive figures; second, the reputation and integrity of the company were presented, including size of factory, history and growth; third, the product was discussed from a quality angle; fourth advertising and sales helps were discussed.

This pattern proved effective at that time. Generally speaking, the basic principles of selling new accounts apply now just as they did then, but the emphasis should be changed. For instance, one company reports it finds emphasis today should be placed on the following:

Security Angle

- repeat sales possibilities, opportunity to build customers
- supplementary sales, allied items, or supplies producing extra profits
- security against possible heavy drop-off in business a few years after the war
- protection from standpoint of price, territory, long-time policies
- stability of the general arrangement, with resulting stability of profits

Immediate Demand or Sales Possibilities After War

- evidence of existing pent-up demand
- needs created during the war

Friendly Cooperation of Company

- training, handling special deals, executive contacts, solving business management problems, understanding, cooperation, special assistance

This may not be the best possible emphasis needed in your selling plan, but it may suggest the development of new emphasis to suit your requirements during the next year or two.

—Dartnell News Letter 2/10/45

Merchandising Via the Reception Room

ALTHOUGH industrial advertisers are exploiting most of the obvious means of conveying sales messages to their markets, the reception room has been largely underdeveloped from a merchandising viewpoint. Yet not only do large numbers of customers and prospects pass through the average reception room each year, but also employees, stockholders and suppliers, all of whom are important to sell and keep sold on the company and its products.

Occasionally one comes across a product display in the lighted recess of some reception room corner, but how often is a real merchandising job done—one that shows not only what the company makes, but why it is good, where it is produced, the people and skills required to produce it, and how it serves the buyer?

The possibilities of dramatizing a message of interest to all are limitless—dioramas, scale models, operating demonstrations, lighted flow charts, dramatized uses and facts of all types. Sources of ideas and material are likewise abundant; your advertising and sales departments, laboratories and factories, customers and allied trades, trade associations and company records (current and historical)—not to mention your warehouse, where old exhibits that might be useful are gathering dust and incurring storage charges.

More companies should merchandise their advertising in the reception room. A simple binder for tear sheets or reprints of current ads, or a frame that allows for a changeable display, is inexpensive and effective. Literature racks can often be employed to advantage, as can short movies or slides that change automatically.

Before you make any investment in reception room promotion, it would be well to clock the traffic through your reception room for a representative week or so and then decide what outlay is warranted. However, you can probably use materials already on hand and, when new offices are being designed, you can provide for a merchandising job with a minimum of added expense. Your plans should be flexible enough to allow for an occasional "change of scenery" and should always include the proper maintenance of whatever merchandising devices you employ.

—G. B. CLORAN in *Industrial Marketing* 2/45

The Salesman Is Welcome

IN THE OPINION of too many executives, the visiting salesman is a necessary evil who must be interviewed as a mere peddler of goods. Not so at American Welding & Manufacturing Company, Warren, Ohio. Here, the arriving salesman's name is inscribed on the cover of a welcome folder to form a personalized greeting. "Whether this is your first visit or your fiftieth, we want you to know that we are glad to see you," the folder tells the salesman; and he is instructed to ask the receptionist to announce him a second time if the person he has come to see doesn't receive him within 10 minutes. (The salesman's name is phoned in from the gate house, so that the executive he wishes to see can be ready to receive him.)

Inside the 5½" by 8½" folder, the salesman is told where he can find a telephone, which he is welcome to use; where the men's restroom is located; how to get timetables and scratchpads from the receptionist; and how to get the local cab company on the phone.

Another feature of the folder is a listing of company executives, along with their correct titles, to enable the salesman to make sure he is calling on the right man. Visiting salesmen are also asked to suggest improvements in the reception afforded them at American Welding.

On the back of the folder is a map of the town, keyed with numbers showing the location of other possible prospects for the salesman's goods and services, as well as hotels and railway and bus stations. Enough of the territory surrounding Warren is included to indicate streets and highways to other towns. This map induces salesmen to keep the folder in their briefcases, to facilitate finding their way around Warren on future visits.

—FRANK J. SHANABERG in *Printed Selling* 2/45

The Outlook for Sales Training

WHAT will be the general pattern of sales training in the postwar period? Fourteen predictions made in a recent study prepared for the C.E.D. by the National Society of Sales Training Executives* point to some of the likely trends. These predictions are summarized below:

1. Better Selection

Because of the pilot work that has been done in universities and in industrial personnel departments during the past 25 years; because of their widespread use in the relations between the U. S. Employment Service and employers; and, finally, because so many millions of young men will have been assigned to square or round holes by the classification methods of the Army and Navy—sales managers and salesmen, alike, are apt to have more respect for aptitude tests and various other controls for assuring efficient selection and assignment.

It will be a long time before any of these can be accepted as a full substitute for judgment, but employers of salesmen may well make greater use of them as accredited supplements to *raw* judgment.

2. More and Better Training

On the whole, the future will see more evidence of respect for the general idea of training, and a more scientific approach to questions of sales technique and sales management. The present heavy emphasis on training in both military life and in industry is being watched closely by sales executives.

* *Post-War Outlook for Sales Training* (No. 5 of the series, *Selecting and Training Post-War Sales Personnel*).

3. More Specific Measurement

As one means of sales training, there will be more concern with the quantitative and qualitative *measurement* of results in relation to selling *methods*, as well as in relation to the *number of calls* made.

4. Changes in Emphasis

Although many salesmen will need to absorb different kinds of *information* (which will, of course, put many new responsibilities on training), basic selling and sales management *methods* will not change very much. There will be increasing interest, however, in two fields—i.e. (a) all sorts of *visual* methods of transferring ideas, both in training and in selling; and (b) the discussion-type of sales meeting, to displace the “stuffing” or “funneling” kind—which means that sales training men will try, harder than ever, to avoid making noises like confessed “experts”; and will work, more than ever, along lines of helping sales people make their *own* plans.

5. Field Men for Fact-Finding

There will be more of a tendency to supplement other research agencies by using factory sales representatives and retail sales managers in fact-finding. This will be done not only for the sake of the direct value of the facts they find, but also (a) as a means of building up among field *administrative* personnel greater familiarity with the basic marketing problems of their companies; (b) as an ingredient in self-training of these line executives in the scientific approach to their own problems; and, (c) perhaps most important, as assurance of greater confidence (on the part of those who bear the final

responsibility for making sales training effective) in whatever plans are developed from field research. The idea, of course, is that the field representative who has had an active part in developing the training program will feel that he has more of a personal stake in its success.

6. Training to Cut Distribution Costs

Because both industrial management and the public are quite sure to be more conscious of marketing costs, those who approve the operating budgets will be on the lookout for anything that promises to keep distribution costs down. It seems reasonable to expect, therefore, that top management will be more active in extending training as a means of reducing sales costs and increasing the profit per salesman.

7. More "Value" Selling

Although consumers must now take what they can get, they are learning to buy with greater discrimination. So, whether or not postwar brings any immediate Johnstown flood of converting War Bonds into merchandise, sales training that concentrates on a clear-cut portrayal of *intrinsic values* is indicated. One probable by-product may be that there will be a greater trend toward *tying in* with the various so-called "consumer movements" than toward resisting them.

8. More Professional Attitude

Training of salesmen will be progressively less tricky and more professional. Today the pseudo-psychologist and one-shot "inspirational" pepper-upper are having harder and dryer sledding; and the visiting sales expert who pontificates, "Plan your work—and work your plan" is being asked more insistently, "*What work? What plan?*"

Instead of depending on these itinerant sales doctors, employers of salesmen will set more store by developing *among their own executives* the "know-how" of simple, practical means of arousing sales people to the urgency of doing their work better, cheaper and faster.

9. More Consumer Savvy

There will be no less—probably more—lure in the old siren song, "I Can Get It for You Wholesale."

Direct-to-the-consumer selling, chain buying and selling, and co-ops will probably increase. Producers of raw materials will tend to do more consumer goods manufacturing, and to bypass converters, and—in part, at least—the normal distributive machinery. Training in selling to the ultimate consumer will increase—and this training won't hurt wholesale salesmen any!

10. More Service "Know-How"

A larger proportion of the salesmen representing factories and wholesalers will need to acquire skills not directly connected with influencing buyers. A first-hand knowledge of service conditions and procedures, for example; merchandising counsel for resale outlets; and engineering advice for users of machinery, will be more and more a part of sales training.

11. More Dignity in Sales Career

All these trends add up to greater and more serious concern among the leaders of industry for increasing the *dignity* of selling as a life career, and to efforts to make selling attractive to the highest type of men.

12. More Scientific Approach

Toward this end, there will also be a growing tendency among business men to make full use of the trained thinking

and "scientific approach" of the marketing men on college faculties; and, conversely, more urgency in the efforts of college men to work closely with the line and staff executives of industrial sales departments, and with retailers.

13. More Leadership Training

There will be more and more concern with finding leaders among sales people and developing among sales supervisors the qualities that make for better leadership. In top marketing jobs, and through all intermediate steps in the chain of sales management, far

more emphasis will be placed on ability of "managers" to *train* and *develop* salesmen, in order that sales supervisors may make the most of the potentialities of whatever human energies are entrusted to their direction.

14. Better Compensation Plans

Finally, long overdue improvements in compensation plans and promotion policies seem to be on the way—and, under "compensation" should be included psychic, as well as cash, incentives for salesmen; and emotional, as well as financial, security.

Dollars in Past-Due Accounts

NOW is the time for all credit men to look in their old ledgers, dig up unpaid accounts which have long since been charged to profit and loss, and send the delinquents a bill and letter asking for payment. Old accounts are proving to be veritable gold mines today, for, with everybody working at good wages, people are paying past-due bills as never before. What's more in the process of collecting on old accounts, some concerns are reviving customers who have stayed away for many years, perhaps paying cash elsewhere, because of a past-due bill.

Here are some case examples of what is happening:

During the '30's the Lutheran Hospital, Fort Dodge, Iowa, provided in its budget for \$1,000 worth of charity work per month. By 1943 the hospital had accumulated thousands of dollars' worth of old and doubtful accounts, many of which were covered by its "charity reserve." In January, 1944, the hospital sent a series of letters to 100 accounts, about half of them going back as far as 1936 and 1937. At the end of 30 days it was pleasantly surprised to find it had received over \$1,800 in cash from the list. War plant workers sent in money from as far away as Seattle and Tacoma, Wash., and Glendale, Calif., as well as from many other states all over the country. During the year about 500 accounts have been written and nearly \$10,000 has been received. The statute of limitations in Iowa is five years, but so many people have paid on outlawed accounts that the hospital no longer even considers the age of an account in deciding whether to follow it up.

A mousetrap manufacturer in Klemme, Iowa, wrote several of his old accounts last summer. Four days after the first letter went out, a lady sent in \$22.63, paying an account that was 10 years old!

The Carnegie Thrift and Loan Company, Carnegie, Penna., decided recently to write a series of letters to 32 of the oldest accounts it had on the books. In August, 1944, one man made a compromise settlement of \$107 on an obligation that was contracted in 1931 and charged off as a total loss in 1932. In 30 days after starting the letters, sending one each week, the company received \$901.06 in cash from 10 of the accounts. The story is the same throughout the country with banks, wholesalers and jobbing houses.

—J. B. MIKESSELL in *American Business* 1/45

• PARALLELING the development of the modern drug and cigar store, gasoline service stations after the war may emerge as roadside shopping centers, handling a wide variety of products, including such items as refrigerators and radios. War-time reduction in gasoline sales has already led many service stations to specialize in the sale of automobile supplies and such diverse items as toys, household appliances, sporting goods, garden seeds, even aspirin.

—Forbes 2/15/45

Financial Management

Industry's Mouthpiece

ON the basis of a survey made in the past few years, it might be concluded that annual reports are unnecessary because (1) only 46 per cent of stockholders read them, and (2) the other 54 per cent either "just glanced" or didn't even look at them. However, 56 per cent of the stockholders also went on to say they find most annual reports *too difficult to understand or not worth much attention*.

What do the stockholders want?

Seventy per cent of those polled wanted a "company" story of progress in addition to the financial statement; the other 30 per cent would be satisfied with a financial statement and president's letter.

As to presentation, 63 per cent thought well-illustrated annual reports were progressive and also beneficial to stockholders. The others were not so favorably inclined for reasons of dignity or diversion. More than 90 per cent wanted an annual report even if the company paid no dividends. They wanted detailed information on why no profits were made.

An NAM survey found that 70 per cent of the public thought war profiteering was prevalent. But only 18 per cent of the employees accused their own concern of making big profits. And a majority of the public accepted profits of 10 per cent or less as justifiable.

It is well to gauge the effect of your annual report on public opinion most carefully. Even the manner of presentation is important. For instance, 48 per cent of the persons polled on

whether \$23 million was "too much profit" answered affirmatively. But when asked if "6 per cent on sales" was too much profit, only 14 per cent thought so. In both instances the profit was the same \$23 million.

Tone: Annual reports generally are of three types: (1) the formal, dignified style, usually favored by banks and investment concerns; (2) the elaborate, documented report, usually adopted by large concerns in illustrated booklet format; (3) the direct address, using conversational or letter-style language, which lends itself to the modest report.

Contents: By today's standards, the annual report would seem barren if it contained only the company's financial statement. It is the one obligatory section, but the story behind the figures is now the prime concern of those who read it. Some reports are effectively illustrated by charts, animated diagrams and pictures. Following are the sections frequently included and the subjects commonly discussed: (1) the cover; (2) the introduction; (3) statement to stockholders; (4) statement to employees; (5) the financial statement; (6) the war effort; (7) operation and production; (8) taxes; (9) the future; (10) management; (11) the official roster.

Cover: The accepted style of title reads: *Annual Report of Blank Company, 1945*. The colored or illustrated cover unquestionably has more visual appeal, but should maintain the dignity of the title. If a special cover is used, it should be remembered that the back and two inside cover pages are also excellent mediums for illustrations of

new models, a new plant, new officers, new products, etc.

Introduction: Any of the sections enumerated previously may be chosen for opening the report. Or a foreword may be prepared, such as a patriotic statement upon the value of freedom or the hope of the postwar world, as related to the company's product and payroll. Such an introduction may well be personalized as a statement from the chief executive, with a characteristic picture of him and his reproduced signature. Other possible illustrations may be: a worker on the job; employees coming through the "main gate"; the service flag; the product.

Statement to Stockholders: The condensed type of report frequently divides the whole book between tabulated financial reports and a statement to stockholders, sometimes adding a third section on employee relations or a prospectus.

Many concerns do a job for business with a portrayal of "Who Owns the Company?"—with such details as the number of average stockholder holdings; the number of stockholders; a classification, if possible, of stockholders as to vocation; and the number of employees holding or buying stock.

For a direct approach, the personalized letter form may be used, along with the chief executive's picture and signature. The formal title, "Annual Statement to Stockholders," or more inviting headlines like "Our Story of 1944" or "Our Policy of Presenting the Facts," will be chosen in keeping with the general tone of the report.

The statement will review the financial experience of the company as to operation, capital and stock. Its primary purpose is to make the Financial Statement more understandable. In amplifying the Financial Statement, the

statement to stockholders may be used to differentiate between matters of internal fiscal stewardship and those of outside influence; it may emphasize the burden of taxation, renegotiation, tax disputes, etc.

Statement to Employees: Distribution of the annual report to employees—or an "Employee's Report" which includes a summary financial statement—is gaining in popularity. Generally speaking, the most effective presentations have been on the individual basis, with Mr. Average Employee as the symbol. By chart or other illustration, it can be shown what his company earns; how it is divided into wages, dividends, operations cost, taxes, advertising and sales. Investment per employee should be indicated.

Here is an opportunity to show the problems of labor and management as one, to emphasize that freedom of employment is in direct ratio to freedom of business; that burdensome controls and taxes hit earnings and wages alike; that government controls, in war or peace, mean fixed operation and "frozen" jobs, as well as heavy taxes and greater national debt.

For more formal treatment in the statement to employees, the following items may be considered: (1) number of employees, including number in military service; (2) production records; (3) plant awards, bond purchases, blood donations, subscriptions to war relief, Red Cross, scrap drives, etc.; (4) bonuses, pensions, retirement, group insurance, health and hospitalization plans; (5) safety, health, recreation facilities; (6) opportunities; employee suggestions, individual citations, education and training, policy on veterans, incentives, postwar plans; (7) commendations; retirements, deaths, war records of employees on leave.

Financial Statement: Numerous annual reports have done much in "humanizing" terms and classifications to make the financial statement more intelligible to the general public.

Either as appended material or as part of the Statement to Stockholders, the amplification of the statement is carried under related headings: Earnings, Taxes, Refunds to Government, Dividends, Wages and Salaries, Provision for Depreciation, Property and Equipment, Investments, etc.

The Financial Statement is the "heart" of the annual report. It should be prepared first, and the editorial perspective of the whole report should be built around it.

Operation and Production: This section, designed for emphasizing the record of operating management, includes comment on the acquisition of new plants, processes, equipment, distribution facilities, and the production record. Concerns now engaged only in war production usually refer to the facilities and reconversion plans ready for V-E Day.

Taxes: If this is a section separate from the Statement to Stockholders, it may be fully developed to show the role of government in the concern's operation. Here are elements that may be considered: (1) state and local taxes; (2) federal income taxes; (3) other federal taxes; (4) taxes per dividend; (5) total of employee withholdings; (6) total of employee social security taxes; (7) estimated expense of compliance with tax laws; (8) idle resources impounded against unsettled tax claims; (9) effect of renegotiation and repricing; (10) multiple taxation of corporate incomes; (11) total contribution to government—sum of taxes, social security payments, renegotiation, bond purchases, etc. Some of the facts

may be arranged in pictogram, diagram or chart.

The Future: With the approach of victory, companies will be appraised by the public on their enterprise in facing the problems of peace. These are the elements: (1) postwar products; (2) modernization of plant and equipment; (3) postwar markets, sales; (4) employment.

Management: This section may be combined with the fiscal and operational sections. More properly, it relates to the managerial policies as handled by the board of directors. It may review in broad terms the direction of management in all its phases and should present managerial problems related to company policy and progress.

The Official Roster: The concluding pages may be used as an executive directory and "Who's Who," perhaps including notices of deaths, retirements and promotions.

Public Distribution: A growing number of companies present condensations of their reports in newspapers and magazines. Often a page of the report is edited with a view to reproducing it as an advertisement. First considerations are given to stockholders and employees. Local distribution is valuable. If a concern makes up an important part of the "community payroll," a letter from the president to the local editors and community leaders has a salutary effect. Trade papers, financial editors, columnists, radio commentators regularly receive annual reports. A news release reviewing salient points of the report is helpful. The right to reproduce pictures or charts may be offered by letter, which also might emphasize certain pages or sections.

There is no set pattern for a "good" report, for the character of the company will be reflected in its own individual way. Management has learned, however, that its problems are better

understood and its policies better supported when it discusses them in terms of the welfare of stockholders, employees and the public. *NAM News*, February 14, 1945.

Insurance

Should Multiple-Line Underwriting Powers of Insurance Companies Be Extended?

IN THE FALL of 1944 Insurance Commissioner C. F. J. Harrington of Massachusetts appointed a committee of representatives from multiple-line underwriting companies to explore the possibilities of expanding multiple-line operations of all but life insurance companies and to make recommendations for action to the National Association of Insurance Commissioners. The Harrington Committee was headed by John A. Diemand, President of the Insurance Company of North America. After many months of investigation it recommended that fire, marine, casualty and bonding companies be permitted considerably broader underwriting powers. These recommendations were opposed by representatives of the Insurance Executives Association, chiefly on the ground that there was neither a real public demand nor need for such a measure.

The American Management Association, whose Insurance Division concerns itself mainly with the problems of the insurance buyer, decided to make a survey of buyers' opinions on this controversial subject. A questionnaire was sent to a large number of buyers, requesting their views on the issues and the reasons for their attitudes. The replies were not so numerous nor

so detailed as is generally the case in AMA surveys, and some of the buyers admitted that they were not so well informed about the matter as they would like to be. Nevertheless, a sufficiently large sample of replies and comments were received to indicate the general attitudes of buyers.

Each of the five main recommendations of the Harrington Committee is stated below, together with the rebuttal of the Insurance Executives Association. The recommendations are followed by the AMA survey findings, with a summary of the main reasons cited for approval or disapproval.

GENERAL ATTITUDE OF BUYERS

The five proposals of the Harrington Committee were approved by a majority of the buyers responding. Those approving the extension of multiple-line underwriting felt that such a step would give them "more for less." This measure would reduce (1) handling and overhead expense, (2) the number of policies which a buyer would have to take out, (3) the number of insurance companies he would have to deal with, and (4) the period required for placing insurance on unusual risks.

Buyers favoring an extension of multiple-line underwriting powers re-

refused to accept the chief rebuttal argument that there was "neither an important demand nor an actual need" for such a measure. They felt that the same thing might be said about almost any proposed development, and that the mere preservation of the status quo would not meet their needs. Insurance must keep pace with the changes in our way of life. There should be no objection against extending, simplifying and streamlining underwriting powers in order to provide a more practical and flexible system. Instead of waiting for buyers to demand such changes, insurance companies themselves should initiate them, these respondents declared.

On the other hand, buyers disapproving the recommendations of the Harrington Committee felt that large buyers were already adequately provided for. An extension of underwriting powers would result in increased insurance costs, because the advantages of specialized knowledge and flexibility would be lost. The particular problems of each industry and each company would not be so well attended to. And, even if a change were desirable, the existing system had been so carefully built up that it would be almost impossible to change it.

1. EXTENSION OF UNDERWRITING POWERS OF U. S. COMPANIES IN FOREIGN COUNTRIES

Recommendation of the Harrington Committee. Any domestic fire, marine, casualty or surety company should be empowered to write any and all kinds of insurance or reinsurance, other than life insurance or annuities, on risks outside the United States, provided it maintains a minimum policyholders' surplus of \$1,500,000.

Rebuttal by the Insurance Executives Association. Competition by

American companies in foreign fields is in no sense handicapped by a lack of multiple-line underwriting powers, and no real multiple-line underwriting power is met with abroad. While the British have the power to engage in this practice, in practical effect the business is conducted by the companies as if the various departments were separate concerns.

Views of insurance buyers. The AMA survey revealed the following attitudes toward recommendation 1: 71 per cent of the buyers replying approved, 20 per cent disapproved, 9 per cent did not answer. Those supporting the extension of underwriting powers abroad gave the following reasons: (1) Such a measure would increase the efficiency, and hence the competitive power, of American companies abroad. The single company, even though departmentalized, has a distinct advantage over several companies in bidding on different types of risk for a single customer, for it could thereby spread its risks, reduce expenses, and probably show a stronger financial statement. (2) American insurance buyers would encounter fewer difficulties with their foreign subsidiaries if multiple-line underwriting powers were not restricted. (3) Many buyers felt that such a step would protect and promote existing American interests and investments and provide this country with an important weapon against future business slumps.

Buyers opposing the extension of underwriting facilities abroad did so mainly on the ground that American insurance companies should improve their service at home. The scope of foreign operations is not held to be considerable, and insurance buyers are believed to have more vexatious problems than the foreign markets.

II. MULTIPLE-LINE REINSURANCE

Recommendation of the Harrington Committee. Any fire, marine, casualty or surety company should be empowered to accept all kinds of reinsurance, other than life insurance and annuities, provided it maintains a minimum policyholders' surplus of \$1,500,000.

Rebuttal by the Insurance Executives Association. Domestic reinsurance facilities are not insufficient and are by no means exhausted. The situation is one of lack of demand rather than of supply. Reinsurance which is placed abroad is placed from choice and not because of lack of facilities. Even if need existed for further American facilities and it were not desired to bring in absolutely fresh capital, the proposal to grant multiple-line underwriting powers in reinsurance is not the only way by which capital employed in the insurance business could be made more easily available for reinsurance. A more practical way would be for the companies to participate in the formation of one or more general reinsurance companies.

Views of insurance buyers. Sixty-two per cent approved; 26 per cent disapproved; 12 per cent did not answer. Buyers approving of multiple-line reinsurance powers advanced the following arguments: (1) Such powers would spur competition in the reinsurance field, which would be a healthy development. It is not true that reinsurance goes abroad from choice; it is placed abroad because American rates are higher. We should frankly face the fact that this country is losing lucrative business to foreigners. (2) Adoption of the proposal would increase reinsurance facilities in the United States. These are felt to be insufficient, and buyers cited several important instances in which their

needs were not met by American insurance companies. (3) Risks may be spread advantageously and costs be reduced by companies having larger lines.

Buyers opposing the recommendation of the committee asserted: (1) If the need for reinsurance did exist and the business were profitable, surplus funds of existing companies and funds not now invested should be brought into the field in the normal manner. These buyers agreed with the IEA that it would be better to form one or more general reinsurance companies than to allow a wide extension of reinsurance powers to many existing companies. (2) The increase of foreign business should be handled on a direct basis rather than by reinsurance. (3) The reinsurance question is unimportant, and hence the buyers disapproved of any action in this field.

III. COMPREHENSIVE AUTOMOBILE POLICIES

Recommendation of the Harrington Committee. Any fire or marine insurance company, or any casualty or surety company licensed to write liability insurance, should be empowered to write insurance against any and all kinds of hazard of loss from damage to automobiles, or from liability arising out of ownership, maintenance or use of automobiles, provided such company meets the financial requirement which must be met by a company qualified to write automobile physical damage or automobile liability hazards, whichever requirement is the higher.

Rebuttal by the Insurance Executives Association. Comprehensive automobile coverage may be written in some jurisdictions. A combination policy based upon an accord between casualty and fire companies serves every

purpose that a single policy issued by one company could serve. This proposal does not involve the reduction of two pieces of paper to one, because only one piece of paper is now generally required.

Views of insurance buyers. Seventy-three per cent approved; 24 per cent disapproved; 3 per cent did not reply. The buyers advocating comprehensive automobile policies did so for the following reasons: (1) The average driver would need only one insurance company, whereas he now must deal with two. This would simplify the job of finding the right company, it would make it unnecessary to divide risks, and the driver would need to remember the name of only one underwriter. (2) Costs would be reduced as a result of increased competition among underwriters and the entrance of smaller companies into the field. Expenses would also be cut by the reduction of risks and claim-handling costs as well as by avoidance of duplication. The comprehensive cover proposed could be extended to all jurisdictions and would greatly simplify automobile insurance. (3) A number of buyers indicated that the IEA rebuttal set forth no objections to the proposal of the Harrington Committee.

Buyers opposing the recommendation expressed general agreement with the arguments of the IEA. They felt there was no need for a change, since the present combination policy met the problem and was reasonably complete. In the eastern part of the United States, at least, the demand for a combination policy was neither spontaneous nor heavy.

IV. COMPREHENSIVE AVIATION POLICIES

Recommendation of the Harrington Committee. Any fire or marine insur-

ance company, or any casualty or surety company licensed to write liability insurance, should be empowered to write insurance against any and all of the hazards of loss from damage to aircraft, or from liability arising out of ownership, maintenance or use of aircraft, provided such company meets the financial requirement which must be met by a company qualified to write aircraft physical damage or aircraft liability hazards, whichever requirement is the higher.

Rebuttal by the Insurance Executives Association. To a large extent, the arguments applying to comprehensive automobile coverage are applicable to aviation insurance.

Views of insurance buyers. Seventy-six per cent approved; 21 per cent disapproved; 3 per cent did not reply. Buyers' arguments were much the same as those expressed under Recommendation III. Proponents of comprehensive aviation policies stressed the following points: (1) Aviation rates which are too high would be lowered, since a comprehensive aviation policy would help reduce paperwork and clerical expenses; also pioneering experience, generally a costly matter, would be spread. Finally, the very increase in competition would tend to make underwriters more efficient. (2) The present combination form is confusing, requiring more work than necessary. (3) It is the duty of the insurance industry to keep pace with the times, even at the risk of venturing into unfamiliar territory. Aviation and other great enterprises of the future must be encouraged; active support should not be withheld until these industries have fully matured.

Opponents of comprehensive aviation policies generally gave no reasons for their position or said they were not

interested. Some felt that existing combination policies were eminently satisfactory. Others held that the hazards of aircraft were distinct from those of the automobile and hence coverage should be written only by underwriters specializing in the aircraft field.

V. PERSONAL PROPERTY FLOATERS

Recommendations of the Harrington Committee. Any fire, marine, casualty or surety company should be empowered to insure individuals against all risks of loss of, or damage to, personal property other than: (a) motor vehicles, aircraft, or watercraft (with some exceptions); and (b) personal property pertaining to the business, trade or profession of the insured (with some exceptions).

Rebuttal by the Insurance Executives Association. Personal floaters can now be issued in a majority of states. Availability is not involved in the granting of such broad multiple-line underwriting powers as those to which attention is directed. All demands are

now being met by the companies empowered to issue such policies.

Views of insurance buyers. Seventy-three per cent approved; 18 per cent disapproved; 9 per cent did not reply. Buyers' opinions on this last recommendation were accompanied by few elaborations. Those favoring the measure felt it "would fill a real need" and "there is a great demand for it." Gaps in coverage would be eliminated or at least reduced to a minimum. All coverage would be in one "package," to be reviewed but once a year. Altogether the measure would afford much greater protection, and its proponents felt it should be extended to all states so that, for example, in the case of a New York resident with a bungalow in Maine, the policy would apply in the state of Maine as well as in New York. Some opponents of the measure withheld comment or simply stated they were not concerned with the recommendation. The rest felt that the present market and coverage were adequate.

Industrial Accident Toll

INDUSTRIAL injuries dropped 8 per cent in 1944, and an estimated 10,000,000 days of working time were saved through a concentrated drive which brought a better working knowledge of industrial safety techniques to nearly 30,000 plants engaged in war production, the Department of Labor reports. This record was achieved in the face of mounting war production schedules which taxed the capacity of American industrial plants and their workers.

About 2,250,000 persons were disabled in industrial accidents during the year; but, says the Department of Labor, for the first time since 1938 the upward trend in work injuries was reversed.

Some 500,000 foremen and 65,000 key production supervisors were given basic training in industrial safety by Labor Department field men, auguring, in the Department's view, continuing improvement.

—NAM News 2/24/45

• **NET WORKING CAPITAL** of American corporations climbed to a new peak last year. The Securities and Exchange Commission unofficially estimated that the total for all corporations, exclusive of banks and insurance companies, was close to \$46.5 billion at December 31, 1944. This would compare with \$41.3 billion at the close of 1943, an increase of \$5.2 billion. Previous totals were \$36.2 billion at the close of 1942, \$32.1 billion at the close of 1941, \$27.5 billion at the close of 1940, and \$24.6 billion at the close of 1939.

—The Wall Street Journal 2/21/45

Book Notes

PRODUCTION ENGINEERING IN THE AIRCRAFT INDUSTRY. By A. B. Berghell. McGraw-Hill Book Company, Inc., New York, 1944. 307 pages. \$3.00. A practical text embodying principles, illustrated by specific cases, questions and answers, for the solution of common problems encountered in the aircraft industry. The author explains the application of principles of estimating new contract costs, budgeting and scheduling direct labor hours, controlling work in process through the use of time standards, work simplification, material saving, statistical and graphical reports, etc.

CARTELS: Challenge to a Free World. By Wendell Berge. Public Affairs Press, Washington, D. C., 1944. 266 pages. \$3.25. An illuminating discussion of the evil effects of cartels, by the Assistant Attorney General in charge of the Antitrust Division. Mr. Berge presents a fairly detailed explanation of the operation of particular cartels, with direct quotations from letters, memoranda and other documents.

CONTAINERS: A Statistical Handbook. By E. R. Killam and C. C. Gartland. *Industrial Series No. 13*, Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, D. C., 1944. 52 pages. Gratis. Provides significant statistics on production, prices, employment, payrolls, hours, earnings, etc., in various branches of the container industry.

PUBLICATIONS RECEIVED

[Please order directly from publishers]

Selling as a Postwar Career. By David R. Osborne. The Dartnell Corporation, Chicago, 1944. 83 pages. \$1.00.

Labor in America. By Harold U. Faulkner and Mark Starr. Harper & Brothers, New York, 1944. 305 pages. \$1.60.

Small Business and Venture Capital: An Economic Program. By Rudolph L. Weissman. Harper & Brothers, New York, 1945. 174 pages. \$2.00.

Fundamental Business Law. By J. F. Christ. American Technical Society, Chicago, 1945. 332 pages. \$3.00.

Future Financial Problems of Conversion in the Aircraft Industry. By Tom Lilley and L. Laverne Horton. *Business Research Studies No. 34*, Bureau of Business Research, Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Mass., 1944. 49 pages. \$1.50.

Retailers' Manual of Taxes and Regulations. Edited by Paul C. Olsen et al. Institute of Distribution, Inc., New York, 1945. 189 pages. \$7.50.

Gold and the Gold Standard: The Story of Gold Money—Past, Present and Future. By Edwin W. Kemmerer. McGraw-Hill Book Company, Inc., New York, 1944. 238 pages. \$2.50.

The Economics of Demobilization. By E. Jay Howenstine, Jr. Public Affairs Press, Washington, D. C., 1944. 336 pages. Cloth, \$3.75; paper, \$3.25.

Keeping Supervisory Employees Informed: A Survey of Methods Used by 16 Companies, with Related Supplementary Information. Personnel Department, Washington Gas Light Company, 11th and H Streets N.W., Washington 1, D. C., 1944. 19 pages. Gratis.

Institutional Cost Accounting: As Exemplified by the System Installed at the Eloise Hospital and Infirmary, Wayne County (Detroit, Michigan). By Walter O. Harris. Public Administration Service, Chicago, 1944. 153 pages. \$3.00.

The Taxation of Corporate Income. By Charles John Gaa. University of Illinois Press, Urbana, Ill., 1944. 285 pages. \$4.00.

Applied Fundamentals of Machines. By Wendell H. Cornet and Daniel W. Fox. McKnight & McKnight, Bloomington, Ill., 1944. 323 pages. \$2.50.

Survey of University Business Research Projects, 1943-44 (A compilation of the studies in business and economic research recently completed or in process in universities, colleges and research institutions). *Economic Series No. 42*, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, Washington, D. C., 1944. 104 pages. Gratis.

Unemployment Compensation in the Post-War Period: Suggestions for Expanding and Perfecting State Unemployment Compensation Systems and A Digest of State and Federal Provisions. The Council of State Governments, 1313 East 60th Street, Chicago 37, Ill., 1944. 77 pages. \$1.00.

Putting the Disabled Veteran Back to Work, II (Part I of Proceedings of Ninth Annual Meeting of Industrial Hygiene Foundation of America, Inc., November 15-16, 1944). Industrial Hygiene Foundation, Pittsburgh, Penna. 33 pages. 25 cents.

Understanding as a Condition for Success in Order-Giving. By Paul and Faith Pigors. Industrial Relations Associates, Inc., Cambridge, Mass., 1945. 28 pages.

Federal Agencies: A Descriptive Tabulation of 428 Functional Units of the Federal Government. Publication No. 333, Citizens National Committee, Inc., 1409 L Street, N.W., Washington 5, D. C. 60 pages. 25 cents.

Classified Provisions of Seventeen Collective Bargaining Agreements Covering Plant Protection Employees in Industrial Plants. American Iron and Steel Institute, 350 Fifth Avenue, New York 1, N. Y., 1944. 200 pages. Gratis.

Excess Profits Tax Relief: The Cyclical Provisions. By Joseph L. Snider. *Business Research Studies No. 33*, Division of Research, Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Mass., 1944. 30 pages. \$1.50.

The Organization, Administration, and Supervision of Business Education. By Earl P. Strong. The Gregg Publishing Company, New York, 1944. 356 pages. \$2.00.

English for Business. By Charles Chandler Parkhurst. Prentice-Hall, Inc., New York, 1944. 440 pages. \$2.25.

The Common Interest in International Economic Organisation. By J. B. Condliffe and A. Stevenson. International Labour Office, Montreal, Canada, 1944. Distributed in the United States by the International Labor Office, 734 Jackson Place, Washington, D. C. 135 pages. \$1.50.

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